



# JOHN R. KASICH

## GOVERNOR • STATE OF OHIO

---

### Communication Department

December 18, 2012

#### **MEDIA CONTACTS**

Governor's Office: Rob Nichols, (330) 760-7582, [Rob.Nichols@governor.ohio.gov](mailto:Rob.Nichols@governor.ohio.gov)

Dept. of Taxation: Gary Gudmundson, (614) 466-0099, [Gary.Gudmundson@tax.state.oh.us](mailto:Gary.Gudmundson@tax.state.oh.us)

#### **OHIO RETURNING \$13 MILLION IN TAX OVERPAYMENTS TO BUSINESSES THAT DIDN'T KNOW THEY WERE OWED MONEY**

##### ***New Policy Will Automatically Tell Businesses When They Are Eligible For A Refund***

COLUMBUS – Today Gov. John R. Kasich joined Ohio Department of Taxation (ODT) Commissioner Joe Testa in beginning to return more than \$13 million to 3,500 Ohio businesses that unknowingly overpaid their Commercial Activity Tax (CAT). These refunds are the first resulting from a new policy that reverses previous anti-business practices and instead notifies a business taxpayer when they've made an overpayment and helps them with the process of reclaiming their money.

In the past ODT didn't notify businesses of overpayments—even if the Department was aware of it—but instead made businesses discover the error themselves and then ask for their money back. If businesses failed to discover the error within a certain amount of time then they forever lost the right to reclaim it.

"If government knows a job creator paid too much in taxes then it should do the right thing and give the money back, because government works for us, not the other way around. It's just simple fairness and I can't believe this wasn't being done already. It's yet another example of a wrong-headed thing that state government was doing that we discovered and are fixing. I just can't figure out why no one was trying to fix these kinds of problems before," said Kasich.

To help create a more jobs-friendly climate, ODT is implementing the new policy beginning with the CAT and will begin notifying about 3,500 taxpayers who may have overpaid by a total of as much as \$13.7 million. Other taxes will be analyzed in the months ahead and ODT will begin reaching out to all taxpayers who unknowingly paid too much tax. The Department will work to raise the visibility and understanding of tax refund procedures and will notify taxpayers who appear to have a refund due.

Refund request forms and more information about this program are available at the ODT web site – [www.tax.ohio.gov](http://www.tax.ohio.gov).

#### **Read the fact sheet here:**

<http://www.governor.ohio.gov/Portals/0/12.18.12%20Taxation%20CAT%20Tax%20Return%20Fact%20Sheet.pdf>

## News Release

### **June 30, 2008 - Department of Taxation Moving Forward with Technology Modernization Project**

**COLUMBUS, Ohio** – The Ohio Department of Taxation is moving forward with a major technology upgrade designed to increase the scope of customer services, the efficiency of operations, and the effectiveness of tax collections.

Over the next four-and-a-half years, the upgrade will replace the department's 27 existing computer systems, some dating back to the 1980s, with a coordinated package of hardware and software called STARS, or the State Taxation Accounting and Revenue System.

"This project is a critical investment for the future of the department and a significant commitment to building a more effective, efficient operation." Ohio Tax Commissioner Richard A. Levin said.

The department estimates that the project will more than pay for itself by reducing costs and increasing revenue collections.

During the first of six phases, the STARS project will replace the computer systems that help administer the state sales and use tax, the corporation franchise tax, and employer withholding for state and school district income taxes. Phase One changes are scheduled for completion by the end of 2009; computer systems supporting all the remaining taxes are scheduled to come online by the end of 2012.

STARS is expected to generate a \$271 million return on investment during the first six years of operations through a combination of reduced expenses and more efficient tax collections. The new system is also expected to greatly expand customer service options, including the potential for taxpayers to directly access and manage their tax accounts.

The Ohio General Assembly approved the project last year in House Bill 119, the two-year operating budget bill. The project cost, estimated at \$53.5 million, will be financed as a capital expense through the use of certificates of participation.

The department, in collaboration with the Ohio Office of Information Technology, recently awarded a contract for STARS to a vendor team lead by EDS, the Texas-based technology firm. Other vendors on the team include Oracle, CGI and Menya Communications.

###

**CONTACT:** John Kohlstrand at (614) 644-3858 or Mike McKinney at (614) 466-5461.

# Fw: Overpaid accounts

**From:** CN=Marjorie Kruse/OU=Ohio/O=TAX

**To:** 1. CN=Delbert Harlan/OU=Asmt/OU=IT/O=TAX@TAX  
<Delbert\_Harlan@tax.state.oh.us>  
2. CN=John Lynch/OU=Ohio/O=TAX@TAX <John\_Lynch@tax.state.oh.us>  
3. CN=Richard Six/OU=Ohio/O=TAX@TAX <Richard\_Six@tax.state.oh.us>  
4. CN=David Zinni/OU=Ohio/O=TAX@TAX <David\_Zinni@tax.state.oh.us>  
5. CN=Bryan Hairston/OU=Ohio/O=TAX@TAX  
<Bryan\_Hairston@tax.state.oh.us>  
6. CN=Keith Wilson/OU=Ohio/O=TAX@TAX  
<Keith\_Wilson@tax.state.oh.us>

**CC:** 1. CN=Bradley Marshall/OU=Ohio/O=TAX@TAX  
<Bradley\_Marshall@tax.state.oh.us>  
2. CN=Todd Tisko/OU=Ohio/O=TAX@TAX <Todd\_Tisko@tax.state.oh.us>  
3. CN=Vaughn Lombardo/OU=Admin/OU=SOT/O=TAX@TAX  
<Vaughn\_Lombardo@tax.state.oh.us>  
4. CN=Matthew H Chafin/OU=Ohio/O=TAX@TAX  
<Matthew\_H\_Chafin@tax.state.oh.us>

**Subject:** Fw: Overpaid accounts

**Sent:** 2012-07-13 15:59:36.450000 UTC

**Attachments:** ITAS Credit Balances.xlsx

Good morning, everyone,

As you all know, ITAS contains a significant number of accounts that have credit balances. The accounts with credits > \$5,000 are summarized below and the detail is contained in the attachment. The Department's most significant risk exposure as it pertains to these credit balances is that the accounts are ripe for use in covering theft. Although that is the primary concern at the moment, other issues exist, such as taxpayer's right to the credit, interest accrual on credits that are eventually refunded, misposted payments that cause another taxpayer's account to incorrectly show a balance due, etc. These are serious issues that require our attention and action.

First, supervisory review and documented approval must be incorporated as a step in every transaction that utilizes a credit balance. If the procedures in your area currently do not include the supervisory approval step, please revise the procedures and implement this immediately. All staff who are able to make transfers MUST obtain supervisory approval. If this cannot be documented electronically in the system, then it must be documented either through a paper form that is retained or through an e-mail that is retained. To the extent possible, the procedures should be standardized across the various departments within Taxation.

Second, the primary causes underlying the credit balances should be identified and described in a memo to Matt and myself. This pertains not just to sales tax accounts, but to the other tax types as well.

Third, the credit balances on the second worksheet in the attached Excel file (the worksheet named LARGEST ACCTS) need to be researched and resolved, as appropriate. Please summarize the disposition of these accounts in a memo to Matt and myself.

Fourth, a plan for the review and resolution of the remaining credit balances needs to be devised, including a methodology for assigning risk and prioritizing based on that risk.

I appreciate your cooperation in giving your full attention to completion of this assignment. Please do not hesitate to involve key staff from other areas, to work cross-jurisdictionally and to make this a priority for your own staff. Thank you.

[ Embedded BMP, 129x47x8 ]

Marjorie Kruse, CPA

Deputy Tax Commissioner

# Exhibit 3

Page 2 of 2

Ohio Department of Taxation  
Audit & Compliance  
(Downtown Office) 614.466.8525  
(Northland Office) 614.995.1872  
Marjorie\_Kruse@tax.state.oh.us

----- Forwarded by Marjorie Kruse/Ohio/TAX on 07/13/2012 10:55 AM -----

**Bradley Marshall/Ohio/TAX**

07/12/2012 04:59 PM

To

Matthew H Chafin/Ohio/TAX@TAX

cc

Bryan Hairston/Ohio/TAX@TAX, Keith Wilson/Ohio/TAX@TAX, Marjorie Kruse/Ohio/TAX@TAX

Subject

Re: Overpaid accounts[Link ID #0: Marjorie KruseCN=LDMAIL2/O=TAX]

CD COUNT SUM

TYPE ID AM

ACCT ACCT BALANCE

-----

100 2,204 -106,154,004.20 Corporation Franchise  
200 160 -1,800,527.29 Employer Withholding  
300 9 -66,981.83 School District Employer Withholding  
400 1,588 -16,638,641.35 County Vendor Sales Tax accounts  
410 687 -15,325,815.14 Consumers Use Tax accounts  
420 931 -35,948,742.18 Cumulative Vendor Sales Tax accounts  
430 79 -5,749,156.34 Delivery Vendor Sales Tax accounts  
440 288 -10,680,583.72 Direct Pay accounts  
450 1 -8,068.20 Limited Vendor accounts  
460 166 -4,413,860.14 Transient Vendor accounts  
470 1 -12,117.00 Voluntary Pay accounts  
480 251 -6,038,084.32 Service Vendor accounts  
490 1,139 -31,705,713.97 Sellers Use Tax accounts  
495 4 -80,314.93 Streamlined Sales Tax accounts  
=====

7,508 -234,622,610.61

Thank you,

Brad Marshall  
Assistant Administrator  
Ohio Department of Taxation  
Compliance Division  
4485 Northland Ridge Blvd.  
Columbus, Ohio 43229  
Phone (614) 387-1702  
Bradley\_Marshall@tax.state.oh.us

## Classification of Conclusions and Observations

### Classification of Audit Objective Conclusions

Conclusion	Description of Factors
<b>Well-Controlled</b>	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
<b>Well-Controlled with Improvement Needed</b>	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
<b>Improvement Needed</b>	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
<b>Major Improvement Needed</b>	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

### Classification of Audit Observations

Rating	Description of Factors	Reporting Level
<b>Low</b>	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
<b>Moderate</b>	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
<b>High</b>	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee

## ITAS Clean-up Procedures Corporate – Overpaid Accounts

The following are guidelines in working accounts with credit balances (overpaid accounts) in ITAS for Corporation Franchise Tax. These accounts need to be reviewed and investigated to determine if a credit (overpayment) exists and if the credit on the account can be cleared.

1. Research each account to determine the reason for the credit balance.
  - Need to determine why overpayment exists
  - Review ITAS
  - Review Assessment System
  - Pull reports if available
  - Review AMS
  - Contact auditors
2. If determine the credit is not real and legitimate, adjust the credit balance to zero.
  - If can adjust the account to balance, make the adjustments to balance the account and add appropriate notes in ITAS. Adjustments may consist of making line item adjustments and/or moving payments to the proper year.
  - If determine that the credit is not real and legitimate, but do not have the information to make a line item adjustment, you can force a penalty to balance the account. Notes must be added to support this adjustment with the reason and why this was done.
3. ITAS Note if force a penalty: Researched account and determined overpayment does not exist due to \_\_\_\_\_. Line item adj. could not be made so forced a penalty to balance account. (Put reason on blank part – Audit, Amended Report, etc.)
4. If the credit is legitimate or you can not determine, DO NOTHING in ITAS, regardless of whether the credit is within statute or not.
5. Do **not** issue any overpayments at this time. Instructions for any potential refunds will be addressed at a later date.
6. Make the appropriate notations on the Excel spreadsheet using the codes and notations listed below. The spreadsheet contains 3 columns (Reason Code, Potential Refund, Comments) where information is to be added.

## 7. Reason Code Column

Enter the appropriate number (1-7) from the list below based on your review.

1. Payments / CRCs not claimed - This is where a taxpayer did not take credit for all of the payments or credit carryforward.
2. Pending Refunds (ITAS Glitch) - This is where ITAS was setting refunds back to pending status as well as by an agent. This glitch was discovered in 2009.
3. Audit Settlements / Netting - This is where the Audit Division made settlements on audit findings and settled on a dollar amount. In other situations, the Audit Division would net balance dues against refunds among years as well as among companies within a combination.
4. Amended Reports - This is where amended reports were filed on a consolidated basis, which is incorrect. Separate reports should have been filed, but the amended reports were processed.
5. Data Entry Errors - This is where taxpayers carried the wrong numbers from one schedule to another which makes the amount keyed not match the actual liabilities and payments made. Certain lines are keyed for calculation purposes for ITAS. Sometimes data entry errors are made by our department which makes the tax not match the payments made.
6. Other – For any situations that do not fall into one of the above categories or cleared. Please enter a note in the ‘Comment’ column based on your review.
7. Cleared – This is where you cleared the account by doing a line item adjustment or forcing a penalty. Enter a ‘7’ in the added ‘Cleared’ column and in the ‘Reason Code’ column, enter one of the above numbers based on your research. If none of the above fits the criteria, enter a brief note in the ‘Comment’ column.

## 8. Potential Refund Column

After your research, indicate in the appropriate column if a refund could exist and is in statute. Enter ‘X’ to indicate there is a potential refund. Below are some examples of potential refunds.

- Pending Refunds (ITAS Glitch)
- Year-end prior to 2008 if any payments are in statute
- Year-end 2008 depending on when the report or payment was filed
- Year-end 2009 and after - all

## 9. Comment Column – For your use to enter notes based on your research.

## 10. See your supervisor for any unique or questionable situations.

## SUT Reason Codes

Reason Code	Explanation	Taxpayer Funds	Not Taxpayer Funds	Unable to Determine
1	EFT payment on incorrect filing period, account and/or entity		x	x
2	Next filing period return posts before current return is posted, resulting in payments to the wrong tax period	x	x	x
3	Improper completed original return by taxpayer	x	x	x
4	Improper amended return by taxpayer	x	x	x
5	Refund application received by not yet processed	x	x	x
6	Bad check by taxpayer replaced but not recorded by revenue accounting	x	x	x
7	Taxpayer pays Attorney General assessments and includes the amount owed to the Attorney General for collection purposes		x	x
8	Payment made to individual accounts and not the new cumulative taxpayer account		x	
9	Taxpayer files returns more often than they are required to (i.e. required to file semi-annual but files monthly)		x	
10	Agent improperly amended return		x	x
11	Taxpayer pays based on 75% of previous year/periods sales and not actual sales	x		
12	Informational returns with payment made		x	x
13	BLANK			
14	Taxpayer requested credit to be applied to another tax period but does not take the credit on a return		x	x
15	Taxpayer files return but submits payment for higher amount	x	x	x
16	Accelerated payments		x	x
17	Extra period payment has been processed to account	x	x	x
18	Refunds issued out of pre-ITAS computer system but still appearing in ITAS		x	
19	Abated penalties and interest by tax agent	x	x	x
20	BLANK			
21	Monies posted between assessment and certification of an unpaid tax debt		x	x



# Re: Fw: Approved Vouchers Held on ITAS

**From:** CN=Michael O'Leary/OU=SOT/O=TAX  
**To:** CN=Rick Anthony/OU=PP/OU=SOT/O=TAX@TAX  
**CC:** 1. CN=Delbert Harlan/OU=Asmt/OU=IT/O=TAX@TAX  
2. CN=Fred Church/OU=Admin/OU=SOT/O=TAX@TAX  
3. CN=Michael Sobul/OU=Analysis/OU=SOT/O=TAX@TAX  
4. CN=Thomas Duncan/OU=Audit/OU=IT/O=TAX@TAX  
**Subject:** Re: Fw: Approved Vouchers Held on ITAS  
**Sent:** 2009-12-02 14:52:11.220000 UTC

Rick,  
Dan gave me the totals of "pending" refunds that are on ITAS.  
Corporate: 2,024 for \$28,864,821  
EW: 6,464 for \$4,774,256  
SDWH: 4,152 for \$253,069  
SUT: 57 for \$105,283

**Total: 12,697 for \$33,997,429**

He gave me a sampling of EW refunds and processing dates as far as late 1999. I asked Dan to dump what he has into a spreadsheet.

Michael O'Leary

Ohio Dept. of Taxation - Revenue Accounting

4485 Northland Ridge Boulevard

Columbus, Ohio 43229

Phone: (614) 466-8491

Fax: (614) 995-0988

**Rick Anthony/PP/SOT/TAX**

12/02/2009 08:39 AM

To

Michael O'Leary/SOT/TAX@TAX

cc

Delbert Harlan/Asmt/IT/TAX@TAX, Fred Church/Admin/SOT/TAX@TAX, Michael Sobul/Analysis/SOT/TAX@TAX,

Thomas Duncan/Audit/IT/TAX@TAX

Subject

Re: Fw: Approved Vouchers Held on ITAS[Link ID #0: Michael O'LearyCN=LDMAIL2/O=TAX]

I have concerns issuing refunds from previous years. I would like to discuss this at our meetings on Friday.

Rick L. Anthony

Deputy Tax Commissioner

Ohio Department of Taxation

Phone: 614-752-8132

Fax: 614-466-6401

**Michael O'Leary/SOT/TAX**

12/02/2009 07:44 AM

To

Thomas Duncan/Audit/IT/TAX@TAX

cc

Delbert Harlan/Asmt/IT/TAX@TAX, Fred Church/Admin/SOT/TAX@TAX, Michael Sobul/Analysis/SOT/TAX@TAX,

Rick Anthony/PP/SOT/TAX@TAX

# Exhibit 7

Page 2 of 5

Subject

Re: Fw: Approved Vouchers Held on ITAS[Link ID #1: Rick AnthonyCN=LDMAIL2/O=TAX]

I just spoke with Dan. This is not just a problem with CFT. Other taxes (EW, SDWH, and SUT) could also be impacted. I asked Dan to run a pending refund report for those taxes like he ran for Jackie. This explains why Jackie had a higher number yesterday. I only asked Dan for the pending refunds since 10/1//09.

Once Dan gets me the volume and amounts for the other taxes, I will pass along. He is currently working on the problem, but has not solved it.

Michael O'Leary

Ohio Dept. of Taxation - Revenue Accounting

4485 Northland Ridge Boulevard

Columbus, Ohio 43229

Phone: (614) 466-8491

Fax: (614) 995-0988

**Thomas Duncan/Audit/IT/TAX**

12/02/2009 07:12 AM

To

Rick Anthony/PP/SOT/TAX@TAX

cc

Fred Church/Admin/SOT/TAX@TAX, Michael O'Leary/SOT/TAX@TAX, Michael Sobul/Analysis/SOT/TAX@TAX,

Delbert Harlan/Asmt/IT/TAX@TAX

Subject

Re: Fw: Approved Vouchers Held on ITAS[Link ID #2: Michael O'LearyCN=LDMAIL2/O=TAX]

Rick,

This was the issue I wanted to discuss with you. We do have a plan of action (4 agents dedicated to the pending refund list). We were totally unaware of these refunds being set back to pending by ITAS. ISD is looking into the problem but we have not seen a resolution. These pending refunds go back as far as 1999. ISD Ticket # 86463

Tom

**Rick Anthony/PP/SOT/TAX**

12/01/2009 04:48 PM

To

Michael O'Leary/SOT/TAX@TAX

cc

Fred Church/Admin/SOT/TAX@TAX, Michael Sobul/Analysis/SOT/TAX@TAX, Thomas Duncan/Audit/IT/TAX@TAX

Subject

Re: Fw: Approved Vouchers Held on ITAS[Link ID #3: Thomas DuncanCN=LDMAIL2/O=TAX]

I will be at Northland Friday morning. I would like to sit down and discuss this with you and come up with a plan of action. Is there anyone else who should attend? After I hear from you I will send an invite.

Rick L. Anthony

Deputy Tax Commissioner

Ohio Department of Taxation

Phone: 614-752-8132

Fax: 614-466-6401

**Michael O'Leary/SOT/TAX**

12/01/2009 04:35 PM

To

Rick Anthony/PP/SOT/TAX@TAX

cc

Fred Church/Admin/SOT/TAX@TAX, Michael Sobul/Analysis/SOT/TAX@TAX, Thomas Duncan/Audit/IT/TAX@TAX

Subject

Re: Fw: Approved Vouchers Held on ITAS[Link ID #4: Rick AnthonyCN=LDMAIL2/O=TAX]

I don't think the problem has been fixed. The amount could be lower once Jackie and her staff go through all these glitch refunds and approve them one by one. They will probably deny some, but that total is based on the calculated amount. Therefore, there may not be a big decline.

It's a blind spot, the only way it was caught was when we had Vickie work backwards on one of her

"missing" refunds. ISD has to run a query to pick up "pending" refunds and the divisions would have to work from it until the fix.

Michael O'Leary

Ohio Dept. of Taxation - Revenue Accounting

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Fax: (614) 995-0988

**Rick Anthony/PP/SOT/TAX**

12/01/2009 04:28 PM

To

Michael O'Leary/SOT/TAX@TAX

cc

Fred Church/Admin/SOT/TAX@TAX, Michael Sobul/Analysis/SOT/TAX@TAX, Thomas Duncan/Audit/IT/TAX@TAX

Subject

Re: Fw: Approved Vouchers Held on ITAS[Link ID #5: Michael O'LearyCN=LDMAIL2/O=TAX]

Oh shit. Are we sure about this? Have we fixed the problem?

Rick L. Anthony

Deputy Tax Commissioner

Ohio Department of Taxation

Phone: 614-752-8132

Fax: 614-466-6401

**Michael O'Leary/SOT/TAX**

12/01/2009 04:27 PM

To

Rick Anthony/PP/SOT/TAX@TAX

cc

Michael Sobul/Analysis/SOT/TAX@TAX, Thomas Duncan/Audit/IT/TAX@TAX, Fred Church/Admin/SOT/TAX@TAX

Subject

Fw: Approved Vouchers Held on ITAS

Rick,

The backlog of CFT refunds is bigger than expected. It could be \$94.6 million. Remember the ITAS glitch that Vickie Atkinson encountered? The same thing appears to have happened with CFT. Refunds were set back to "pending" and dropped out of recaps/vouchers before they were released to OAKS.

Michael O'Leary

Ohio Dept. of Taxation - Revenue Accounting

4485 Northland Ridge Boulevard

Columbus, Ohio 43229

Phone: (614) 466-8491

Fax: (614) 995-0988

----- Forwarded by Michael O'Leary/SOT/TAX on 12/01/2009 04:22 PM -----

**Jaclyn Hickie/Ohio/TAX**

12/01/2009 04:13 PM

To

Michael O'Leary/SOT/TAX@TAX

cc

Michael Maurer/Audit/IT/TAX@TAX, Thomas Duncan/Audit/IT/TAX@TAX

Subject

Re: Fw: Approved Vouchers Held on ITAS[Link ID #6: Michael O'LearyCN=LDMAIL2/O=TAX]

Mike,

Please see below for responses.

Jackie Hickie

Supervisor

Business Tax Division

Phone: (614) 466-1604

**Michael O'Leary/SOT/TAX**

# Exhibit 7

Page 4 of 5

12/01/2009 03:59 PM

To

Jaclyn Hickle/Ohio/TAX@TAX

cc

Michael Maurer/Audit/IT/TAX@TAX, Thomas Duncan/Audit/IT/TAX@TAX

Subject

Re: Fw: Approved Vouchers Held on ITAS[Link ID #7: Jaclyn HickleCN=LDMAIL2/O=TAX]

Is the \$28.9 million just the ITAS errors or does that include the vouchers 10T08509-10T08519. **The \$28.9 million does not include the vouchers 10T08509-10T08519.**

Downtown only thinks there is about \$64-65 million in the pipeline and that includes the \$59.1 million we held on mini-OAKS. Is the total closer to \$88 million? **I get \$28.9 + \$59.1 + \$5.4 + \$1.2 = \$94.6 (does not include the refund claims).**

Michael O'Leary

Ohio Dept. of Taxation - Revenue Accounting

4485 Northland Ridge Boulevard

Columbus, Ohio 43229

Phone: (614) 466-8491

Fax: (614) 995-0988

**Jaclyn Hickle/Ohio/TAX**

12/01/2009 03:48 PM

To

Michael O'Leary/SOT/TAX@TAX

cc

Thomas Duncan/Audit/IT/TAX@TAX, Michael Maurer/Audit/IT/TAX@TAX

Subject

Re: Fw: Approved Vouchers Held on ITAS[Link ID #8: Michael O'LearyCN=LDMAIL2/O=TAX]

Mike,

The figures below do not include the \$13.6 in refunds that ITAS incorrectly set to Pending. Dan D'Angelo ran a new query for me capturing all refunds that are in a Pending status and the count is Requested = \$34,183,631.60, Calculated = \$28,895,262.26, Total = 2,028. Dan did not get the issue resolved. These are refunds that the taxpayer requested on the report when originally filed. ITAS incorrectly set them to Pending instead of issuing the refund. We plan to begin approving these refund tomorrow. They must be done manually - one by one.

We also have outstanding refund claims Requested = \$5,200,258.89 and Total = 477. This figure does not include the outstanding refund claims being handled by the Audit Division and tracked through AMS. Tom Duncan has a meeting scheduled with Rick on Friday and he planned to discuss the corporate refunds with him during the meeting.

Jackie Hickle

Supervisor

Business Tax Division

Phone: (614) 466-1604

**Thomas Duncan/Audit/IT/TAX**

12/01/2009 02:57 PM

To

Jaclyn Hickle/Ohio/TAX@TAX

cc

Michael Maurer/Audit/IT/TAX@TAX

Subject

Fw: Approved Vouchers Held on ITAS

Jackie,

The 13.6 million he is talking about is on the list you gave me this morning, correct?

Tom

----- Forwarded by Thomas Duncan/Audit/IT/TAX on 12/01/2009 02:56 PM -----

**Michael O'Leary/SOT/TAX**

12/01/2009 02:34 PM

To

Thomas Duncan/Audit/IT/TAX@TAX

cc

Subject

Re: Fw: Approved Vouchers Held on ITAS[Link ID #9: Thomas DuncanCN=LDMAIL2/O=TAX]

Tom,

I sent you a spreadsheet last week that had about \$13.6 million in refunds that had dropped out of the vouchers. I believe Dan was researching that for Jackie. Did they get that issue resolved and those refunds do not need to be counted?

Michael O'Leary

Ohio Dept. of Taxation - Revenue Accounting

4485 Northland Ridge Boulevard

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Phone: (614) 466-8491

Fax: (614) 995-0988

**Thomas Duncan/Audit/IT/TAX**

12/01/2009 02:07 PM

To

Michael O'Leary/SOT/TAX@TAX

cc

Michael Sobul/Analysis/SOT/TAX@TAX, Jaclyn Hickie/Ohio/TAX@TAX, Michael Maurer/Audit/IT/TAX@TAX

Subject

Fw: Approved Vouchers Held on ITAS

Mike,

I have cc Mike Sobul on this.

Tom

----- Forwarded by Thomas Duncan/Audit/IT/TAX on 12/01/2009 02:06 PM -----

**Jaclyn Hickie/Ohio/TAX**

12/01/2009 02:03 PM

To

Thomas Duncan/Audit/IT/TAX@TAX

cc

Michael Maurer/Audit/IT/TAX@TAX

Subject

Fw: Approved Vouchers Held on ITAS

Tom,

Below is an update of the corporate refund vouchers that have not being approved. The voucher information reported previously has been adjusted. Dan D'Angelo explained that a few of the older refunds were not previously counted. Also, voucher 10T08515 is down one from the previous report, because one of its refunds (for account 00326029) has since been disallowed.

Approved Vouchers Held on ITAS

Voucher Amount Refunds

10T08509 \$ 2,493,780.03 91

10T08511 \$ 219,103.02 14

10T08512 \$ 678,208.73 11

10T08513 \$ 749,684.11 69

10T08514 \$ 635,275.41 43

10T08515 \$ 647,392.46 50

=====

total \$ 5,423,443.76 278

10T08516 \$ 276,484.66 18

10T08517 \$ 120,736.00 16

10T08518 \$ 567,020.67 22

10T08519 \$ 184,769.41 42

=====

total \$ 1,149,010.74 98

Jackie Hickie

Supervisor

Business Tax Division Phone: (614) 466-1604

# Corporate Refunds

**From:** CN=Jaclyn Hickle/OU=Ohio/O=TAX  
**To:** CN=Thomas Duncan/OU=Audit/OU=IT/O=TAX@TAX  
<Thomas\_Duncan@tax.state.oh.us>  
**CC:** CN=Michael Maurer/OU=Audit/OU=IT/O=TAX@TAX  
<Michael\_Maurer@tax.state.oh.us>  
**Subject:** Corporate Refunds  
**Sent:** 2009-12-04 18:11:44.210000 UTC

Tom,

Based on the discussions in the meeting this morning, we are to do the following:

1. Begin approving the corporate refunds (11/16/09 and forward). **Vouchers 8509-8515 were released 12/4/09 (Voucher 8510 is a BWC offset).**
2. Mike O'Leary will work with ISD to keep these refunds from going to OBM.
3. Corporate will approve the Pending refunds that were processed from 7/1/09 to present (current and past years).
4. If a taxpayer calls regarding a prior year refund that was not issued, we will issue the refund.
5. Pending refunds that were processed prior to 7/1/09 that reflect an agent's initials rather than set to Pending by ITAS will be looked at and should be approved by the agent who was working on the refund.

Jackie Hickle, Supervisor

Business Tax Division

4485 Northland Ridge Blvd.

Columbus, OH 43229

Phone: (614) 466-1604

Fax: (614) 466-1579

# Re: Fw: Pending Refund List

**From:** CN=Jaclyn Hickle/OU=Ohio/O=TAX  
**To:** CN=Toneita Burke/OU=Audit/OU=IT/O=TAX@TAX  
<Toneita\_Burke@tax.state.oh.us>  
**Subject:** Re: Fw: Pending Refund List  
**Sent:** 2009-12-07 19:51:39.530000 UTC

You are to stop.

**Toneita Burke/Audit/IT/TAX**

12/07/2009 02:41 PM

To

Jaclyn Hickle/Ohio/TAX@TAX

cc

Donald Shannon/Audit/IT/TAX@TAX

Subject

Re: Fw: Pending Refund List[[Link ID #0: Jaclyn HickleCN=LDMAIL2/O=TAX](#)]

We have reach the 7/1/09 date are we to stop approving or continue?

**Jaclyn Hickle/Ohio/TAX**

12/07/2009 11:39 AM

To

Toneita Burke/Audit/IT/TAX@TAX

cc

Donald Shannon/Audit/IT/TAX@TAX

Subject

Re: Fw: Pending Refund List[[Link ID #1: Toneita BurkeCN=LDMAIL2/O=TAX](#)]

Toneita,

We are approving the refunds (current and prior year) without interest. We are approving the refunds that were processed 7/1/09 to present.

Jackie Hickle

Supervisor

Business Tax Division

Phone: (614) 466-1604

**Toneita Burke/Audit/IT/TAX**

12/07/2009 09:55 AM

To

Jaclyn Hickle/Ohio/TAX@TAX

cc

Donald Shannon/Audit/IT/TAX@TAX

Subject

Re: Fw: Pending Refund List[[Link ID #2: Jaclyn HickleCN=LDMAIL2/O=TAX](#)]

Just to clarify we are not to compute any interest on any 2009 refunds regardless of when the report was due and filed? Also is interest to be computed on prior years that are beyond 90 days?

**Jaclyn Hickle/Ohio/TAX**

12/07/2009 09:30 AM

To

Toneita Burke/Audit/IT/TAX@TAX

cc

Subject

Re: Fw: Pending Refund List[[Link ID #3: Toneita BurkeCN=LDMAIL2/O=TAX](#)]

If you are referring to 2009 reports then the answer is yes.

Jackie Hickle

**Toneita Burke/Audit/IT/TAX**

12/07/2009 09:09 AM

To

Jaclyn Hickle/Ohio/TAX@TAX

# Exhibit 9

Page 2 of 2

cc

Donald Shannon/Audit/IT/TAX@TAX

Subject

Fw: Pending Refund List

Regarding the no interest begin date, does this include all refunds regardless of when the final was due and filed?

----- Forwarded by Toneita Burke/Audit/IT/TAX on 12/07/2009 09:05 AM -----

**Toneita Burke/Audit/IT/TAX**

12/07/2009 08:06 AM

To

Jennifer Jenkins/Ohio/TAX, Andrew Huff/Ohio/TAX, Tess Antommarchi/Ohio/TAX

cc

Jaclyn Hickle/Ohio/TAX@TAX, Donald Shannon/Audit/IT/TAX@TAX

Subject

Pending Refund List

All,

When approving the pending refunds **donot** put an interest begin date on any refunds that you approve from today forward. Any questions let me know.

Thanks Toneita



# Re: Fw: Corporate Refunds

**From:** CN=Jaclyn Hickle/OU=Ohio/O=TAX  
**To:** CN=Jennifer Jenkins/OU=Ohio/O=TAX@TAX <Jennifer\_Jenkins@tax.state.oh.us>  
**Subject:** Re: Fw: Corporate Refunds  
**Sent:** 2010-04-27 13:49:02.160000 UTC

Jenn,

A while back the Sales Tax Division determined that many of their refunds were being put to pending by ITAS. This was brought to our attention and we had a query run to identify the corporate refunds that were put to pending. That was when we began working all pending refunds that were put to pending in ITAS from 7/1/2009 through the present date. ISD looked into what was causing these to go to pending but they were not able to determine what triggered this. We found out that this has been going on for years and it also happens for all ITAS taxes. I was advised that there is a report that identifies the refunds that are put to pending and I began receiving it daily. That is why you are now being notified when a corporate refund is put to pending by ITAS. Unfortunately we have no answer on why they are going to pending and we will continue to have to work on them as this happens.

Jackie Hickle

Supervisor

Business Tax Division

Phone: (614) 466-1604

**Jennifer Jenkins/Ohio/TAX**

04/27/2010 09:28 AM

To

Jaclyn Hickle/Ohio/TAX@TAX

cc

Subject

Re: Fw: Corporate Refunds[Link ID #0: Jaclyn HickleCN=LDMAIL2/O=TAX]

Jackie,

Toneita called me to verify how many have went to Pending by ITAS. There have been 3 that I am aware of: 2 that are still in pending and 1 that was re-released on Friday but has again went back to pending. Do we know what is causing this?

[REDACTED]

Thanks,

Jenn Jenkins

Department of Taxation

Tax Commissioner Agent

Phone 614-466-2083

Fax 614-466-1579

**Jaclyn Hickle/Ohio/TAX**

04/27/2010 09:21 AM

To

Jennifer Jenkins/Ohio/TAX@TAX

# Exhibit 10

Page 2 of 2

cc

Subject

Fw: Corporate Refunds

Jenn,

What was Toneita's response regarding your question. I was not copied on the response.

Jackie

----- Forwarded by Jaclyn Hickle/Ohio/TAX on 04/27/2010 09:19 AM -----

**Jennifer Jenkins/Ohio/TAX**

04/23/2010 10:48 AM

To

Toneita Burke/Audit/IT/TAX@TAX

cc

Jaclyn Hickle/Ohio/TAX@TAX

Subject

Re: Fw: Corporate Refunds[Link ID #1: Jaclyn HickleCN=LDMAIL2/O=TAX]

I have re-released the refund listed below. Do we know why the 2010 Refunds are going back to pending after I have approved them? Do I need to be doing something different once I verify they are listed with CAT and are good refunds?

Thanks,

Jenn Jenkins

Department of Taxation

Tax Commissioner Agent

Phone 614-466-2083

Fax 614-466-1579

**Toneita Burke/Audit/IT/TAX**

04/22/2010 03:29 PM

To

Jennifer Jenkins/Ohio/TAX@TAX

cc

Subject

Fw: Corporate Refunds

----- Forwarded by Toneita Burke/Audit/IT/TAX on 04/22/2010 03:28 PM -----

**Jaclyn Hickle/Ohio/TAX**

04/22/2010 03:27 PM

To

Toneita Burke/Audit/IT/TAX@TAX

cc

Subject

Fw: Corporate Refunds

Toneita,

The below listed taxpayer filed a 2010 franchise tax report that claimed a refund. ITAS set the refund to Pending and reflects that Jenn worked on the account. Please have Jenn approve the refund again.

[REDACTED]

Jackie Hickle, Supervisor

Business Tax Division

4485 Northland Ridge Blvd.

Columbus, OH 43229

Phone: (614) 466-1604

Fax: (614) 466-1579

# Corporate Job Duties

**From:** CN=Jaclyn Hickle/OU=Ohio/O=TAX  
**To:** CN=Michael Maurer/OU=Audit/OU=IT/O=TAX@TAX  
<Michael\_Maurer@tax.state.oh.us>  
**Subject:** Corporate Job Duties  
**Sent:** 2011-05-27 19:48:46.720000 UTC

Mike,

Below are the job duties that are handled by the corporate unit along with some information about different items.

Job Duties -

Short year reports

Bankruptcies

Nexus Questionnaire Review

Audit refundable and nonrefundable credits claimed on reports

VDA Reports

Notice of Corrected Assessments (issue refunds)

Refund/Credit Discrepancy Notices

EFT List

Variance List

Pos Can Error List

No Charter Cancellation List

Daily Refund List

Non-Perfect Batches

Questionable Combinations

1120 Amended Reports

Refund Claims

RAR's

Phone Calls

KANA

Processing Documents

Final Determination (issue refunds)

Correspondence

Pollution Control Certificates

Proof NYP instructions and forms

Update Web site/FAQ's & Contact Information (Lynn)

Conduct NYP Testing/Prepare test scripts & test documents

Update phone list for division (Lynn)

STARS Sme (Lynn)

STARS Review Instructions Design (Lynn & Laura)

STARS - Sarah Hibbard/User Acceptance Testing and Randy Bell/Training

Administer Muni Tax - approve bills, post reports for distribution, certify refunds, etc.

Presentations - I have given several presentation over the past couple of years regarding "What's New With Corporate Franchise Tax".

ISD Report Unique Review Items Report - this is received daily and includes information for all ITAS taxes. You will be looking for account type CFT and review criteria code 124 and 196. Code 124 is for corporate refunds that were put to Pending by ITAS and Code 196 is for corporate overpayment carryforward amounts that were put to Pending by ITAS. I scan the report and send it to Toneita in an e-mail explaining that attached is a Unique Review Items Report to be assigned to an agent for review. The agent (Rich Hall) we ensure that the refund/credit carryforward are approved in ITAS. The pages of the report that do not belong to CFT are thrown away in classified trash. I check from time to time to make sure the refund is released and the carryforward amount was moved forward.

Corporate 600 Review - Don Shannon's area conducts data purification for corporate. The account type 600s are unclaimed overpayments. The taxpayers are overpaid and they did not request a refund or a carryforward to the next year when they filed the original report. For those accounts that are overpaid and the overpayment would be out of statute for refund purposes, Don (or his agents) force the overpaid amount as Penalty. This puts the account in balance. Sometimes we find that the overpaid amount was intended for the next year and the taxpayer claimed the payment on the next year's annual report (you can see this on page one of the report). We will move the payment to the intended year and that usually results in getting the account in balance (this could effect several years and even allow for a refund that was requested on an annual report on a later year). Don's area does not do the research to put the overpayment in the year the taxpayer intended it to go. These situations are found by the corporate area (Lynn/Toneita) by phone calls from taxpayers, research on variance bills, research from assessments, etc. The corporate agents will unforce the payment that Don's area reflected as Penalty and then clean up the account, recommend that the assessment be cleared if needed and issue any refund that should have been issued. Don provides me with the list of the 600 review items where the taxpayer has an outstanding assessment. He highlights the accounts in yellow and provides the ITAS and assessment details. I review these to see if the overpaid amount can be applied against the assessment. If the overpaid amount is out of statute we do not apply it against another year's assessment. (If you assign this research to Toneita make sure she understands that we do not apply out of statute payments against an assessment.) I have never found any payments that I could be applied against an assessment. I return the documentation to Don and he then forces the overpayments as Penalty.

Corporate Refunds - Jenn Jenkins provides me with weekly information regarding the number of corporate refunds approved by our area, the dollar amount and voucher number (see below). These figures include refunds off of original reports and refunds from FT REFs (application for refund). I forward the information to Mike O'Leary and copy Mike Maurer and Tom Duncan on the e-mail.

Outstanding Corporate Refund Claims - Within the corporate refund database you can obtain information regarding outstanding refund claims. In addition to this information we have each agent submit monthly a spreadsheet that lists all outstanding refund claims they have and the status of the claims. Lynn and Toneita are required to provide me with the agents' outstanding refund claims reports by the 10th of each month. Currently the number of outstanding refund claims assigned to each agent are at an acceptable amount except for the number Chris Morris and Sarah Hibbard have. Each of these agents are on a Annual Performance Review Action Plan regarding their outstanding claims.

Outstanding Corporate Refunds Requested on the Original Report - For years we were not aware that ITAS would set some corporate refunds (and CRC's) to Pending. We had a list run of all the pending corporate refunds (see list in bottom drawer of the 5-drawer lateral file). Rick Anthony advised us that we should issue all the ones dated 7/1/09 and forward. For any dated earlier then that date we did not release the refund unless a taxpayer called inquiring about their refund. Since these refunds were requested on the original franchise tax report they will never be out of statute for refund purposes. No interest was given on these refunds. If the taxpayer calls then a separate refund check will be issued for the interest.

Large Corporate Refunds - All corporate refunds requested on an original report for \$100,000 or greater are not released until the report is reviewed by an agent for accuracy. Jenn Jenkins notifies Toneita of these taxpayers and Toneita assigns this job duty to Sarah Hibbard. If any of these large refunds were for a financial institution they were turned over to Jeff Cook. Jeff supervises a group of auditors who audit FI's.

Corporate Refunds - Currently Mike O'Leary is holding corporate refunds until they have the funds to release them. He notifies us by e-mail when they will be released and I forward the e-mail on to Lynn and Toneita. Because of this the interest on the refund checks is not correct. If a taxpayer calls in because their interest is underpaid we will issue them an additional refund for the amount. To date I am not aware of any taxpayers calling in about this.

Corporate Refunds - We screen the 2011 tax forms along with the accompanying checks for any forms filed for phase-out taxpayers. Once we have determined a tax form should not have been filed we send it back to the taxpayer with a letter explaining about the phase-out of CFT. The letter goes on to explain that if the taxpayer is a non phase-out taxpayer they should return their tax form, check and our letter to us. We will process the tax form using the original post mark date.

Corporate Refunds for Erroneous 2010 and Forward Payments - Taxpayers can file the 2010 and forward

FT 1120 and check the last box on the top right side of page one in order to get a refund of an erroneous payment they made because they are no longer subject to CFT. They complete the header information, reflect the payment on the payment line and the refund line and sign the declaration on page 6 of the form. Taxpayers can also request a refund of an erroneous payment by filing an FT REF or letter of explanation. We first determine if they are correct in stating they are no longer subject to CFT. We also verify that they are registered for CAT. We do not want to issue a corporate refund if the taxpayer is delinquent in paying CAT. If they are not registered for CAT the agents send them a letter requesting an explanation of why they haven't registered. The agents work with Jason Mumma of CAT for guidance. A refund that we approve goes out without interest. If a taxpayer contacts us and questions why we did not give them interest we will issue a refund for the interest. Note: I am not aware of any taxpayers calling in regarding the interest. Any refund request for \$50 is issued without verifying that the taxpayer is registered for CAT.

EFT and Variance Lists - The corporate unit reviews the corporate bills when the taxpayers pay their tax by EFT and when the bills are for \$20,000 or greater. I have Don Shannon run these two reports for me. The agents review each bill and clear up all the bills they can so that we are only sending out good bills. The agents must look at all years and determine if payments are applied to the wrong year, they pull the reports, move payments, approve CRC's that didn't go forward, etc. Once they have done this they must manually approve the good bills. Production is reflected for the bills we approve. If a bill is not cleared or approved it will show up on the next list. I spot check the list to see if the agents are doing the proper clean up rather than just approving the bills. This will also tell you if amended reports are being processed correctly because before the amended report is sent to Processing the agent is to do a bulk credit to reflect payments that are on Legacy. We also must do a bulk credit if we don't have record of a payment but it would now be out of statute to bill for the underpayment. These older amended reports are being processed as a result of RAR's. When taxpayers first started making corporate payments using EFT many of the payments were not posted to the correct taxpayer so no bills for EFT filers were sent automatically. These bills were originally released by Compliance. After several years of this, Compliance asked us to do a study of how many of the EFT bills were good bills. We studied this for three months and found that 85% of the bills were good bills. We advised Compliance that ITAS could bill these the same way it does for the other filers. They then found out that ITAS could not automatically send out the EFT bills so our unit took over the responsibility of approving these bills. We do the same research on these as we do for the variance list. I use to have the list run monthly during January - June and then not again until October but now the lists are much smaller and you can have them run every other month. You don't want to run a new list until you have given the agents time to finish the old list since the same bills will show up on the new list and then may get assigned to a different agent. I use to give Lynn the EFT list and Toneita the variance list. Since the lists are much smaller now and Toneita's agents are the core corporate group you should give both lists to her. (Please note that Toneita does not check the approved bills for accuracy and as an agent she approved the bills without cleaning up the accounts as required. She also trained her new agents that payments were out of statute when they weren't. Taxpayers make the payment too early and the payments get applied to the wrong year. If the taxpayer clearly intended the payment to be posted to the next year then we move the payment forward. This is verified by looking at page 1 of the franchise tax report. Page 1 provides the payments the taxpayer is claiming. Tom reviewed this with Toneita, Mike and myself and supported the fact that the payment is not out of statute in this situation.)

CFT On-Line Training - Tom, Mike and I reviewed the corporate on-line training material. We made updates and the information was given to Toneita to update. Sarah Hibbard is the corporate agent that works on the training.

Pollution Control Certificates - An e-mail is sent from John Werkman regarding the pollution control certificates. The e-mail is forwarded to Toneita who assign the research to an agent. The e-mail from John is also sent to Bo Moore.

Weekly Corporate Stats - On a weekly basis Toneita distributes the corporate work to the agents. She supplies me with a weekly report with the statistics of the volume of work that was distributed through the week.

VDA's - Corporate VDA's are logged in on the VDA database and given to Lynn. He assigns them to Laura, Randy and Allison. The agents register the taxpayer in ITAS, take production and send the reports to Processing. They monitor ITAS for when the reports post to make sure ITAS does not impose penalty.

# Exhibit 11

Page 4 of 4

If the taxpayer sends in a 2010 or forward report and they are a phase-out taxpayer, they return the report and payment to the taxpayer.

Cross Tax Transfers - Each month a report is sent to Tammy Dupler providing her with the payments that were transferred from one ITAS tax type to another. Tammy will send out an e-mail on the 23rd of each month requesting the information. Most of the transfers come from Don Shannon or Don Ross. If there are no transfers during the month I respond to Tammy's e-mail advising her of this.

Muni Tax - When a distribution is made of the muni tax I receive a box of the distribution information. This box is given to Laura Hannah.

Ohio Training Tax Credit Clawback (OTTC) - Department of Development audits the OTTC and if they do a clawback they get the check and forward it to us to process. If they don't get the check we bill the taxpayer using the figures supplied by DOD. We take production for that. Note: The two employees that handled this are no longer with DOD so we have not received any clawbacks since they left.

Jobs Creation Tax Credit Clawback - Same as OTTC.

HANNAH Report - forward to Lynn and Toneita

[REDACTED]

Muni Tax - We discovered that the muni electronic tax form had a programming error and was computing the apportionment ratio incorrectly. If a taxpayer had everywhere property or payroll and none in Ohio, the calculation would eliminate the factor making the apportionment ratio higher then it should have been. All CLEC's are being contacted and asked to refile using the corrected tax forms. We have identified the other taxpayers that were affected by this error and I have requested that Lynn supply me with the taxpayers, years and dollar amount involved. Mike M. will then determine how we will handle these. Corporate Payments intended for CAT - Laura Hannah handles getting these payments transferred to CAT.

Jackie

Jackie Hickie, Supervisor  
Ohio Department of Taxation  
Business Tax Division  
4485 Northland Ridge Blvd. - 3rd Floor  
Columbus, OH 43229  
Phone: (614) 466-1604  
jaclyn\_hickle@tax.state.oh.us

# Re: Fw: Sales Tax Overpayment Business Rules

**From:** CN=[REDACTED]  
**To:** CN=[REDACTED]  
[REDACTED]  
**CC:** 1. [REDACTED]  
2. [REDACTED]  
3. [REDACTED]  
**Subject:** Re: Fw: Sales Tax Overpayment Business Rules  
**Sent:** 2012-08-09 14:35:54.480000 UTC

Redacted

Redacted

Redacted

Redacted

## Discussion

Main Topic

Vickie Atkinson/Sales/SOT/TAX

Yesterday 01:30 PM

Subject:

Sales Tax Overpayment Business Rules

Category:

Sales and Use Tax

**Sales/Use tax overpayments moved to future period**

**vs.**

**Advising the Taxpayer to file for a refund**



**Overpayment can be moved**

Original return filed (not amended), EFT payments exceed the amount due on the original return or TP issued check for more money than what was due.

If the taxpayer advises the agent to move the overpayment to a specific period, the agent can do so but they need to advise the TP they are forfeiting their interest by not filing for a refund. The agent needs to put a note on the overpaid period including the TP name, phone#, where the money was moved to and TP was advised of forfeited interest.

**Overpayment **CANNOT** be moved**

**NOTE:** If any adjustments are made on lines 1-6 of the return, the overpayment cannot be moved. You must advise the taxpayer to file an application for refund (ST-AR) with the Sales and Use Tax refund unit.

Taxpayer calls and wants to amend their previously filed return by increasing their exempt sales or decreasing their gross sales. They also have requested the overpayment be moved to a future period. The agent should advise the taxpayer they must file the amended return with the refund application (form ST-AR, which can be located on the Departments Website). The refund request should be filed by the taxpayer along with the amended return and supporting documentation as to why the return is being amended.

Taxpayer calls inquiring as to why they have not received their sales/use tax refund. The TP filed an amended return 3 months ago (via OBG, paper, eforms, etc.), which created an overpayment on ITAS. The agent should advise the taxpayer that in order to receive a refund for sales/use tax they must file a refund application (form ST-AR, which can be located on the Departments Website) with the sales tax refund unit. The refund request should be filed by the taxpayer along with the backup documentation verifying why the return was amended.

**Please note the following:**

**4 year statute of limitations for Sales and Use tax:** Administrative rule 5703-9-07 (A)(4) states: An application for refund of sales or use tax must be filed no later than **four years after the date of the illegal or erroneous payment** of the tax. Tax is paid on the date it is remitted to the state and not on the date it is collected by a vendor or seller from a consumer. If a taxpayer does not contact us within 4 years of the illegal or erroneous payment the money cannot be moved/nor would the refund be approved.

Moving the taxpayer's money to a future and/or underpaid period is essentially approving a refund request.

When moving money, you should use the "in date" of the original payment being moved, and not use the "in date" of when you are actually moving the money.

If you have a taxpayer on the phone that disagrees and wishes to appeal this decision then the taxpayer must be advised to file a refund request (ST-

AR) in order to go thru the appeal process. The refund will be denied and the taxpayer at that point can appeal the denial and request a hearing.

Sales tax is a trust tax. The refund unit must obtain various back up documents to verify the refund is actually due and verify that the tax was refunded to the customer who actually paid the tax in error and is due the tax refund.

While reviewing a taxpayer's account and you notice a period is overpaid. Please do not inform the taxpayer that they are overpaid. Even though the period might be overpaid, it may not be a true overpayment.

**If there is any question as to whether a sale/use tax overpayment should be moved or not, please call or e-mail the Sales/Use tax refund unit.**

**Phone: 614-466-8391**

**E-mail: SUTREF**

# Re: Fw: WRITTEN PROCEDURES

**From:** CN=Joe Testa/OU=Ohio/O=TAX  
**To:** CN=Steven Gray/OU=Ohio/O=TAX@TAX <Steven\_Gray@tax.state.oh.us>  
**Subject:** Re: Fw: WRITTEN PROCEDURES  
**Sent:** 2012-07-23 18:32:26.410000 UTC  
**Attachments:** AddPay-SDAddPay.doc

I don't know if there is a template deliverable from STARS , I can ask Mark. I am reluctant to wait for STARS particularly when a weakness has been identified this way.

**Steven Gray/Ohio/TAX**

07/23/2012 02:26 PM

To

Joe Testa/Ohio/TAX@TAX

cc

Subject

Re: Fw: WRITTEN PROCEDURES[Link ID #0: Joe TestaCN=LDMAIL2/O=TAX]

I'm not surprised that the various tax divisions have handled internal procedures with a great degree of variety. It's probably natural that each area developed what they felt was necessary, to the detriment of the areas with disinterested leaders. Although we'd all agree that we should enhance in areas where procedures are absent, I'm not sold completely that a uniform model or template needs to be developed, just yet. I think the STARS will do the bulk of the work for you if you let it. There are probably deliverables in the contract that include procedure manuals, uniform training, and job aids that will no doubt be uniform as part of the roll-out. I wonder if it would be most efficient to build procedures around the templates STARS creates, or to create a formal template now.

**Joe Testa/Ohio/TAX**

07/23/2012 01:41 PM

To

Steven\_Gray@tax.state.oh.us

cc

Subject

Fw: WRITTEN PROCEDURES

You were copied on some of this earlier . It appears that we are weak on written procedures at lease in some areas. To your knowledge, do we have a template we are to use throughout the agency or are different areas able to make up their own or not develop them at all? How would you feel about a common and comprehensive procedures template being developed by Org Dev?

Joe

----- Forwarded by Joe Testa/Ohio/TAX on 07/23/2012 01:36 PM -----

**Marjorie Kruse/Ohio/TAX**

07/23/2012 12:11 PM

To

Joe Testa

cc

Subject

Fw: WRITTEN PROCEDURES

FYI...

Marjorie Kruse, CPA

Deputy Tax Commissioner

Ohio Department of Taxation

Audit & Compliance

(Downtown Office) 614.466.8525

(Northland Office) 614.995.1872

# Exhibit 13

Page 2 of 2

Marjorie\_Kruse@tax.state.oh.us

----- Forwarded by Marjorie Kruse/Ohio/TAX on 07/23/2012 12:11 PM -----

**William Cort/Ohio/TAX**

07/23/2012 12:02 PM

To

Marjorie Kruse/Ohio/TAX@TAX

cc

Steven Gray/Ohio/TAX@TAX

Subject

Re: WRITTEN PROCEDURES

Hi Marj,

This is an area that is really weak in that each division is responsible for writing their own procedures. Some such as Revenue Accounting are very good with procedures for most activities and others do not have many written procedures within their own division. There is no template to my knowledge but I sent a general email to some Administrators (Brenda McDonald, Mike O'Leary, and Deborah Smith) asking if they had a template. Although none have responded with a standard template, Brenda did offer an example.

Hope this helps.

Thanks,

---

William E. Cort

Administrator

Ohio Department of Taxation

Internal Audit Division

30 E. Broad St. 22nd Floor

Columbus, OH 43216

Col. Phone: 614.593.5775

wcort@ohio.gov

**Marjorie Kruse/Ohio/TAX**

07/23/2012 09:38 AM

To

William Cort/Ohio/TAX@TAX

cc

Steven Gray/Ohio/TAX@TAX

Subject

WRITTEN PROCEDURES

Hi, Bill,

As the Inspector General's investigation of Kathleen Hyre has progressed, the IG asked sales tax for a copy of their procedures. They provided a PowerPoint that is used to train new employees. Rightfully so, the IG doesn't consider the training PowerPoint to be a good, well-documented procedure.

Does ODT have a standard template to use for written procedures (the how-to's)? If there is a template, please point me to where I can find it. Or has each division documented procedures on their own, with no standardization? Do you have any idea which divisions have written procedures and which ones do not?

Thanks for any insight you can provide.

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## Pending Review Items - 2/1/05

	Corporate		Employer		SD WH		Sales Tax	
	Items	Dollars	Items	Dollars	Items	Dollars	Items	Dollars
Refund over Threshold (132)	9	\$ 1,343,539.63	432	\$ 11,170,941.16	43	\$ 131,499.99	4	\$ 27,705.41
Credit Request over Threshold (141)	0	\$ 0	0	\$ 0	4,986	\$ 843,568.71	0	\$ 0
Bill over Threshold (148)	1,473	\$ 263,339,011.32	4,796	\$ 700,564,363.82	37	\$ 1,135,492.82	2,460	\$ 166,459,424.17
Underpaid Periods (163)	0	\$ 0	4,645	\$ 61,459,603.74	0	\$ 0	0	\$ 0
Filing Frequency Problem (168)	174	\$ 7,926,747.42	4,533	\$ 50,741,031.09	1,112	\$ 136,799.71	1,069	\$ 408,679.24
Pre-petition Proof of Claim (192)	0	\$ 0	0	\$ 0	0	\$ 0	22	\$ 1,215.49
Amended Return Reduce Liability (306)	92	\$ 3,083,781.94	160	\$ 3,535,451.63	8	\$ 10,715.57	557	\$ 1,091,453.91
Attorney General Overpayment (307)	0	\$ 0	0	\$ 0	0	\$ 0	694	\$ 556,039.78
Overclaimed Credits (598)	207	\$ 666,037.37	0	\$ 0	0	\$ 0	0	\$ 0
Overclaimed Refunds (599)	373	\$ 1,826,217.42	0	\$ 0	0	\$ 0	0	\$ 0
Unrequested Credits (600)	43,102	\$ 1,846,686,897.54	54,013	\$ 706,515,579.49	0	\$ 0	13,951	\$ 141,638,267.51
Unrequested Refunds (601)	1,025	\$ 2,168,209.06	0	\$ 0	0	\$ 0	0	\$ 0
Difference between Reported and Supplemental (606)	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0
Difference between Reported and Supplemental (607)	0	\$ 0	0	\$ 0	0	\$ 0	2,776	\$ 40,337,956.36
Verify Sales Amount (608)	0	\$ 0	0	\$ 0	0	\$ 0	2,550	\$ 2,769,340.54
Verify Line Items (609)	0	\$ 0	0	\$ 0	0	\$ 0	1,522	\$ 554,609.44
No Supplemental (614)	0	\$ 0	0	\$ 0	0	\$ 0	4,025	\$ 3,942,607.84
Bill Payment Generates Overpayment (619)	14	\$ 7,436.53	2,640	\$ 563,029.01	6	\$ 119.30	7,074	\$ 25,533,751.52
Amended Return Creates Variance (621)	0	\$ 0	0	\$ 0	0	\$ 0	14,198	\$ 6,476,552.28
Variance Due to Transfer of Return (622)	0	\$ 0	0	\$ 0	0	\$ 0	236	\$ 817,864.53
G Code on Returns (630)	1,102	\$ 2,253,573.89	133	\$ 330,055.72	16	\$ 1,585.18	54	\$ 465,635.47
Ohio NOL (631)	378	\$ 1,933,966.41	0	\$ 0	0	\$ 0	82	\$ 61,331.98
Penalty and Interest Reported (632)	1,219	\$ 2,016,781.48	0	\$ 0	0	\$ 0	0	\$ 0
Net change > Tax Due (633)	0	\$ 0	0	\$ 0	5,606	\$ 296,227.93	0	\$ 0
Calculated Tax Due < Original Value (634)	0	\$ 0	0	\$ 0	3,032	\$ 563,079.27	0	\$ 0
	49,168	\$ 2,133,252,200.01	71,352	\$ 1,534,880,055.66	14,846	\$ 3,119,088.48	51,274	\$ 391,142,435.47

Total Review Items 186,640  
Total Dollars \$ 4,062,393,779.62

Chairman McGregor, Ranking Member Reece, and members of the subcommittee;

Thank you for the opportunity to testify in support of the Administration's budget recommendation for the Ohio Department of Taxation (The Department) for the 2014-2015 biennium.

The Department is responsible for the administration of most state-collected taxes, several locally-collected taxes and supervision of the real property tax. ODT collects, administers, and enforces 24 different taxes including state personal income tax, school district income tax, both the state portion and the local piggyback sales taxes, commercial activity tax (CAT), casino tax, and soon the financial institutions tax (FIT).

The Department collects and distributes nearly \$25 billion annually, which supports important functions such as education, healthcare, transportation, and law enforcement. In addition, the Department provides support services for taxpayers who need assistance preparing Ohio returns or have other, more complex issues to resolve.

We are guided by our Mission Statement in achieving our objectives: "To provide quality service to Ohio taxpayers by helping them to comply with their responsibilities and by fairly applying the tax law". The staff continually strives to provide excellent customer service and to utilize taxpayers' dollars efficiently and effectively.

During the last biennial budget, we applied these principles in many areas with great success. As a result, while cash collections increased 6% from FY 2011 to FY 2012, the Department was able to decrease spending by over \$13 million, a 16% reduction in GRF operating expenses.

Cash Collections from Ohio Department of Taxation  
Audit and Compliance Programs, Fiscal Years 2010 – 2012  
(in millions)

<u>Tax Type</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
Sales & Use	\$226.7	\$209.3	\$210.5
Corporate Franchise	76.60	61.00	37.70
Personal Income	188.50	188.60	207.00
Employer Withholding	14.10	16.40	16.10
Commercial Activity	55.80	64.70	104.00
Excise & Energy	14.20	5.40	9.40
Pass-through Entity	12.40	21.20	14.50
School District Income	<u>22.60</u>	<u>24.00</u>	<u>25.70</u>
Total	\$610.9	\$590.6	\$624.9

The Department has been reorganizing to right-size in order to best accomplish our mission. Staff-to-management ratios have increased and vacancies have been scrutinized. The Department's 2014-2015 budget request envisions a staffing level of 1,200 FTE's compared to 1,247 at the start of the biennium. The use of Kaizen events, black belt projects and other lean sigma tools has proven to be successful in gaining operational efficiencies.

The Use Tax Amnesty program has accepted 1,884 applications through mid-February with an expected revenue impact of \$19.1 million. This program concludes May 1, 2013. The General Amnesty program that ran from May 1, 2012 to June 15, 2012 generated approximately \$27.3 million in revenue bringing total Amnesty revenues to \$46.4 million.

During fiscal year 2013, we learned that it had been standard practice at the Department not to contact taxpayers if there were credit balances on their business tax accounts. We changed that practice and divisions are now actively researching credit balances and contacting taxpayers when refunds are owed to them. Coined 'The Buckeye

Refund' by The Wall Street Journal, this change in direction started with the Commercial Activity Tax. Thirty-five hundred companies have been identified as having overpayments that could lead to \$13.7 million returned to business to invest back into their operations. Other divisions are conducting similar research and contacting taxpayers.

Building on this record of accomplishments, our goal is to stay on this track and continue to find innovative ways to serve Ohio taxpayers and manage resources with even greater efficiency and effectiveness. The Department has a history of finding ways to reduce spending and with this budget we intend to continue that trend.

We look to make the tax system more user-friendly and prepare to administer new programs with this in mind. House Bill 59 includes several "tax simplification" provisions that aim to reduce the Department's administrative costs. One provision requires electronic filing and payment for all annual CAT filers. Currently, quarterly CAT filers are required to file and pay electronically. This extension of the electronic filing and paying requirement will provide efficiencies to the taxpayer and ensure the accuracy of calculations. It will also save taxpayer dollars otherwise spent handling and processing paper returns. In addition, there is a provision in the bill that allows the Tax Commissioner to deliver a tax notice or order by ordinary mail rather than by certified mail or delivery service if the recipient does not access the electronic notice or electronic order within 10 business days. The Department can only send notices or orders electronically with the taxpayer's consent. This will allow the Department to reduce its mailing costs substantially.

Several provisions in House Bill 59 seek to "clean-up" the Ohio Revised Code. To illustrate this, the Tax Refund Fund language has been amended to include the estate tax among other Tax Commissioner-administered taxes. This will ensure that there is a mechanism to



continue to pay estate tax refunds now that this tax has been repealed and does not generate new revenues.

The Ohio Legislature recently passed two important bills. HB 510, The FIT, will help strengthen Ohio's banking system and the Wireless 9-1-1 legislation will finance the infrastructure for the next generation of telecommunication for emergency services, such as transmission of photos from a cell phone camera. The Department will play a role in administering these landmark acts and will utilize appropriations prudently.

The Department partnered with the Governor's Office and the Office of Budget and Management in the design of the historic tax reform package incorporated in House Bill 59. We believe the tax reform package benefits all Ohioans and provides fundamental change and increased stability to Ohio's system of taxation. The elements of tax reform are not being covered in this testimony, which focuses on the operations of the Department. However, tax reform has been described in detail in the full finance Committee hearing, and we will continue to discuss it with the legislature, in committee and subcommittee hearing settings and in separate meetings with individual legislators, as we strive to achieve this significant milestone in tax reform legislation.

The Department also faces challenges in the next biennium. We need to upgrade our Teradata hardware and software in order to continue our successful Tax Discovery program. Discovery generated \$39.8 million in fiscal year 2012 and has generated \$12.0 million through January of fiscal year 2013. The cost of this upgrade will be \$1.5 to \$1.9 million and will be presented to the controlling board for approval before the end of FY 2013, under the current funding strategy. The Department is also looking at new initiatives for Tax Discovery. This upgrade will allow for more robust programs and help more Ohio taxpayers achieve compliance.

The Department's State Taxation Accounting and Revenue System (STARS) project continues to progress through the development phase with Hewlett-Packard (HP) as the integrator. The objective of the STARS project is to consolidate 27 different systems into 1 integrated system that is developed in a modern architecture to meet industry standards and reduce risk. STARS is expected to provide the Department flexibility to respond to changes in tax administration and processing, as well as lower the cost of maintenance by consolidating platforms and programming languages. This is a highly complex project that will provide significant improvements in how the Department will conduct tax administration in the future.

While slower than expected, progress is being made with the software code development. The Department continues to work with HP through the complexities of this project and the refactoring of the implementation schedule to account for the newly introduced FIT and Wireless 9-1-1. HP has projected a second quarter fiscal year 2014 phase 1 delivery.

The General Operating Fund budget is the bulk of the budget that we control and reflects our effort to improve service while decreasing taxpayer costs. This part of our budget funds our statutory obligations and primary objectives such as:

- Processing individual and business tax returns and accounting for payments and refunds. Last year, the Department processed approximately 5.4 million Ohio personal income tax returns and 1.5 million sales and use tax returns.
- Ensuring that the correct amount of tax has been paid by conducting audits and administering compliance programs. In fiscal year 2012, the Tax Discovery program alone generated over \$39.8 million in revenue.

- Assisting taxpayers with their Ohio returns and helping bring them into compliance. During fiscal year 2012, our staff handled over 800,000 phone calls, responded to 36,000 email inquiries, and assisted 8,600 walk-in customers.
- Utilizing technology to create greater efficiencies for the future. When it is complete, the STARS project will consolidate the processing of several types of business returns.

For our fiscal year 2014 GRF budget, we requested \$65.5 million. This is a reduction of 10% from 2013. In December, after we submitted our budget request, both the FIT and the Wireless 9-1-1 bills were passed. Statutory appropriations for these new programs were added to our GRF budget. Funding for the Tax Discovery program was rolled into it as were some other miscellaneous items, bringing the total to \$71.2 million. Even with these additions, our GRF Budget will still be 4% less than the previous year. Looking ahead to 2015, our GRF Budget will be reduced by another 4.4%.

These reductions will represent significant budget savings. Comparing fiscal year 2010 actual to our 2015 budget, we will have reduced the GRF Operating Budget by 17%. This is an accomplishment we can all be proud of.

Chairman McGregor, thank you for your time. I would be happy to answer any questions regarding the operations and budget of the Department.



