

TAX EXECUTIVES INSTITUTE/OHIO DEPARTMENT OF TAXATION
LIAISON COMMITTEE MEETING AGENDA
Thursday May, 5, 2011
10:00 AM – 11:00 AM
22rd FLOOR; RHODES OFFICE TOWER

Attendees for TEI: Kelly McKeever, Vince Magnacca, Steve Uehlin, Steve Hinshaw, Roger Sponseller, Frank Julian, Ed Svercek, Bryant Bartolone.

Attendees for ODOT: Joe Testa (Tax Commissioner), Gary Gudmundson (Communications Director), Matt Chafin (ODT Chief Counsel), Marjorie Kruse (Deputy Tax Commissioner for Compliance & Audit), Fred Church (Deputy Tax Commissioner for Policy/Budget), Ron Pottorf (Audit), John Trippier (Sales Tax), Marge Brewer (Counsel), and Sarah O’Leary (CAT).

I. Introduction of TEI and Department of Taxation Meeting Participants

II. Budget Issues

- A. Current status related to tax increases etc. – None expected. Tax Amnesty program similar to one in 2006 can be expected. Expand JRTC.
- B. Plans for increasing CAT rate for any shortfall - No revised revenue estimate is OK for now. Also may shift CAT to General Revenue Fund from other area (local govt’s etc.) & House will reopen in next budget.
- C. Other – Asked for more authority to require electronic filing. Looking for alternative methods of serving notice other than certified mail to save money. Commissioner discussed closure of service centers around state to save money. Would cost \$9M to retain so closing 7 of them at end of June. Auditors will telecommute and they are not backfilling eliminated positions unless deemed critical. Expanding and more fully utilizing central call center in Columbus.

III. Commercial Activity Tax (CAT) Update

- A. Any changes on the horizon on rate changes, law changes, regulations/rules, etc.? Clean up some rule changes for cash discount, CAT JRTC [Job Retention Tax Credit] refundable and non-refundable credits. Nothing significant. Nexus standard also.
- B. Reg/Rule changes coming? See A. above.
- C. CAT Audits or issues? 60-65% issues are nexus related. Getting retroactive consolidated return requests but not allowing them. Issues with situsing of services, pass thru situsing of tangible personal property and other income.

IV. Sales/Use Tax Update

- A. Audit Issues? Employment services, electronic information services and business fixtures. Discussed electronic systems when no invoice and tax billed by vendor (EDI or invoiceless processing). John Trippier asked for taxpayer volunteers to discuss issues with DOT and help develop a policy. Discussed use tax presentations and details. DOT has 90 more auditors and looking at use tax for taxpayers. Offering voluntary disclosure programs also.

B. SSTP Update? Not much activity right now.

V. Personal Property Tax/Franchise Tax Audit Issues

A. Any change in approach given sunset of taxes? Personal property tax – winding down so nothing to report. Franchise tax – Currently auditing last year of phase out year. Intangibles, nexus, and combinations still are issues.

B. Other Audit issues? See above.

VI. Miscellaneous Issues to Discuss

A. Any changes in Dept of Taxation that we should be made aware of? Proposed reorganization of the Tax Dept? Closing of service centers? Assessment of impact on taxpayer services? Introduction/background of the new members of the Tax Commissioner's team? None noted except new team and closing of taxpayer service centers. Discussed OBG (Ohio Business Gateway). Trying to tie in other state agencies (EPA, WC, etc) to OBG through a steering committee. Also trying to improve DOT website to improve the customer experience (looking up accounts, etc.). Also working to add Deputy Tax Commissioner biographies to website.

B. Any Audit or other Dept issues to discuss? See above.

C. Any proposed technical corrections being proposed? See above.

VII. TEI Member Questions?

1. Corporate taxpayers are concerned with the backlog of cases at both ODT Appeals and the BTA. What steps will ODT take to resolve the backlogs? BTA workload has increased with more foreclosures and appeals. Doubled historically in last few years. Also went through funding decrease and lost hearing officers and staff. DOT agrees that the current 6-7 year backlog on cases is unacceptable. Commissioner has until 11/15 to submit ideas to governor/legislature for BTA changes. Some ideas include implementing expedited docket and summary process. Will hear from county auditors/schools/business throughout the summer. BTA funding was increased by \$400K in next budget but not enough to catch up to where it was.
2. The ODT website includes a biography of Commissioner Joseph Testa. Could ODT expand the bios to include the Commissioner's direct reports? Commissioner will consider this.
3. With respect to tax refund claims, is it standing operating procedure for ODT to audit for tax offsets prior to processing a bona fide refund claim? Audit is a natural by-product of a refund claim but it is not ODT standing procedure per se. Can lead to expanded review and thus lead to an audit.

VII. Other Items – Possibly next meeting in the fall or next May? TEI will inquire later.