

City of Findlay, Ohio

Income Tax Department

Annual Report

2007

Structure and Composition

The Income Tax Department is comprised of an Administrator, three full-time staff members, and one part-time staff member who are responsible for administering and enforcing the Income Tax Ordinance and the Rules and Regulations. The Department's mission is to respectfully encourage the highest level of voluntary compliance by assisting, educating, and informing customers and stakeholders efficiently, effectively, and accurately.

The Administrator is appointed by and reports to the Mayor, who serves as Chairman of the Income Tax Board. The Administrator reports also to this board, which was designed to depoliticize the Income Tax Department and to protect it from improper influence. The other Board members include the Law Director, Treasurer, Auditor, and Council's Appropriations Committee Chairman, who are responsible for offering oversight and counsel to the Income Tax Department during a minimum of four quarterly public meetings each year to ensure the department's funding, accountability, independence, and objectivity. The Mayor, Law Director, and Treasurer each appoint an elector for lifetime service to the Board of Review, whose purpose is to rule on taxpayers' initial formal appeals.

2007 Staff

Andrew Thomas
Pam Basinger
Cindi Kimmet
Julia Nulton
Tonya Stillberger

2007 Board of Review

Martin Terry
Douglas W. Huffman
Vacancy

2007 Income Tax Board

Anthony P. Iriti
David Hackenberg
Deborah Preston
Robert Sprague
Randy Ward

Income Tax Department Activities

I. New Physical Location

The Income Tax Department moved to room 115 of the Municipal Building to accommodate the third-floor west side renovations and integrations. In addition to being convenient for taxpayers, the location yielded badly-needed storage, access, and work-flow space for the Department. This contributed significantly to a revenue-productive and project-productive tax year.

II. Third-party Collection Services

In November, the Department employed the services of attorney Roger L. Rader to collect post-judgment and pre-judgment past-due taxes. Ordinance number 2007-083, adopted by Council on October 16 and made effective November 7, authorized the department to assign pre-judgment and post-judgment past-due accounts to a third party and to hold the delinquent taxpayers responsible for the collection agency's fees.

III. Document Scanning and Check Endorser

With the purchase of a scanner, Computer Services enabled the Tax Department to scan pertinent tax documents and link them directly to the taxpayers' accounts. This allows rapid document retrieval and highlights potentially important forms that may otherwise have been held in obscurity.

The department also purchased a Shear Tech check endorser that mechanically endorses the back of each check issued for income taxes. This reduces this process down to a mere fraction of the time it took to endorse them with a self-inking hand stamp.

IV. Credit Card Payments

Beginning in March 2006, the Income Tax Department partnered with Official Payments to allow taxpayers to pay past-due taxes using Visa[®], MasterCard[®], American Express[®], and Discover[®] credit and debit cards. Taxpayers can visit www.officialpayments.com directly or through a link on the City's Internet site, or they can call 1-800-2PAYTAXSM (1-800-272-9829) and use an assigned jurisdiction code (4553). The City has collected over \$26,000 in past-due income taxes through the program. Because Official Payments charges the users a convenience fee for its electronic transaction services, there is no expense to the City.

Official Payments, of Tier Technologies Inc., accepts payments on behalf of the Internal Revenue Service, the State of Ohio, 25 other states, and more than 2,000 local governments including several northwest Ohio communities.

V. Village of Arlington

The Tax Department has completed its fifth year of administering the income tax on behalf of the Village of Arlington. The process is proceeding smoothly and routinely. The Tax Department administers approximately 125 employer accounts and approximately 740 individual and business accounts, of which nearly one half are returns in which the tax liability equals the Arlington tax withheld or equals the Arlington credit allowed. Arlington has shared in the Tax Department's operating budget in amounts of \$10,539 for 2006, \$10,972 for 2005, \$9,419 for 2004, and \$6,607 for 2003. Arlington incurs their own costs for refunds, tax forms, and court costs.

We continue to find the practice beneficial to both municipalities. As anticipated, we have a greater opportunity to serve a wider range of Findlay taxpayers—non-residents who are employed within our City limits. Notably, Findlay derives 40 to 50 percent of its employer withholding revenue from non-residents. Considering Ohio's local tax climate over the past several years, it is vital for municipalities statewide to diligently and comprehensively serve the interests of non-residents who pay municipal income taxes to the communities where they work. We welcome the opportunity to extend our services to other communities should favorable and mutually-beneficial circumstances arise.

VI. NWOTCA and OML

The department continues its active participation in the Ohio Municipal League Income Tax Committee and, one of its regional arms, the Northwest Ohio Tax Commissioners Association. Members of the NWOTCA generally meet bimonthly in the northwest Ohio area to offer training and interdependent assistance and to discuss tax policies and procedures and current and emerging legislative issues. The NWOTCA also hosts a biannual municipal income tax seminar for area tax professionals.

The Ohio Municipal League Income Tax Committee is comprised of income tax administrators and commissioners from each of the major cities and from across the State. The committee functions in a similar fashion as the regional groups, but works directly with the OML. Statewide, many of these same colleagues meet more specifically as part of the Ohio Municipal Tax Task Force to influence legislative issues and to encourage uniform municipal income tax policies, procedures, and practices by Ohio municipalities.

VII. Annual Savings on Income Tax Forms

For many years, the Income Tax Department had been printing the taxpayers' names, addresses, Social Security numbers, Federal identification numbers, and estimate-payment balances on the tax forms. This is called variable data imaging. The "intelligent inserting" used to ensure that all three of a taxpayer's imaged tax forms are enclosed in the same envelope contributes significantly to the cost of providing these forms.

Many taxpayers hire accountants, attorneys, enrolled agents, or other tax professionals to have their taxes prepared. These professionals typically use software programs to prepare and print completed tax returns on behalf of their clients. Thus, approximately 50 percent of the forms issued and mailed by the Tax Department are discarded. Beginning with the 2005 tax forms, the taxpayers' personal data were purposely omitted from the forms. This eliminated the need for intelligent inserting, resulting in an approximate savings of 40 to 50 percent. The cost for the 2005 packages and forms was \$7,236, down from as high as \$16,578 just two years prior. Excluding the taxpayers' personal data from the packages also ensures the mail pieces will be mailed standard class—the cheapest available by the U.S. Postal Service for the envelope size.

Because the City-furnished tax forms, that are later submitted by taxpayers, will no longer reflect the variable-imaged data, all income tax returns have to be verified for accurate names, joint filings, addresses, and SSNs. Even though this adds an additional processing step to nearly 50 percent of the filings, the staff realized little to no change in workload or operations.

As the raw materials prices continue to increase, we still consider other measures to reduce the overall costs of providing the forms, but must also evaluate the risk of positioning ourselves out of printing market viability (i.e., being too small of a project for a firm that can provide these services reliably and being too large of a project for a non-fulfillment print shop). However, for additional savings on forms and postage, the staff will flag the records of professionally-prepared returns (in which all City-provided forms are discarded) over the next few tax seasons and then exclude them entirely from the annual printings and mailings.

VIII. 2006 Benchmark Survey

In response to benchmarking discussions by the City Administration in 2006, the Tax Department sought to obtain comparative data from other Ohio municipal tax departments. Various surveys, typically based on costs, have surfaced over the years, but have yielded little value. Different tax offices are assigned other duties well outside of income tax collections and some departments are charged for internal services such as rent, building maintenance, janitorial services, utilities, information technology, insurance, and collection agencies. Further, some departments have mandatory filing, which significantly increases the number of accounts a tax department administers, while others do not. We determined, well before issuing the survey, that the best source of comparative data would be labor hour per account. In other words, how much labor time does each department devote to administering one account each year. (Accounts as used in the survey are generally defined as the number of tax returns the municipal tax department will issue for the most recent year.)

Findlay issued surveys and requested anonymous responses from 21 other communities with populations ranging from 12,513 to 57,000. Fifteen colleagues replied. The staff hours per account ranged from 1 hour 31.2 minutes to 23.22 minutes. Findlay (the lowest at the aforementioned 23.22) essentially tied the second lowest rate with a community population of 54,000 (23.94).

IX. 2006 EZ Tax Returns Filed On-line

With the implementation of the new software package the Tax Department has been using since October 2003, the department implemented “EZ” income tax return filings on-line for 2005. This paperless process is available to resident individual taxpayers who have had all their Findlay taxes properly withheld by their employers, have no other taxable income, and file by the traditional April 15 deadline. One hundred ninety individuals used this medium to file their 2006 EZ income tax returns.

X. Ohio Business Gateway

The Income Tax Department received a growing number of extension requests, estimate payments, income tax return filings, and employer withholding remittances through the Ohio Business Gateway. The employer withholding remittances began for all Ohio municipal income tax departments in 2007. The Ohio Business Gateway is administered, primarily, by an arm of the Ohio Department of Taxation in conjunction with several other participating State agencies.

Ballot Issues, Ordinances, and Federal & State Legislation

I. City of Findlay

On October 16, Findlay City Council passed ordinance number 2007-083 to authorize the Department to employ the services of a collection agency to collect post-judgment and pre-judgment past-due taxes. The ordinance also permits the City to hold the delinquent taxpayers responsible for the fees and costs incurred by the third party.

Beginning January 1, 2007, the Department implemented a 2006 Ordinance that increased the minimum tax due-refund due threshold from one dollar to five dollars. This significantly reduced the number of diminutive refund checks that are seldom cashed. This provision conformed to 80 percent of other Northwest Ohio communities.

II. State of Ohio

Several Ohio municipalities had been holding insurance companies responsible for tax withholding on third-party sick-pay benefits. In response, the insurance companies successfully lobbied the Ohio Legislature to have an exemption included in Amended Substitute House Bill 119. The intent was to maintain the taxable status of third-party sick pay, but eliminate the insurance companies' withholding liabilities and responsibilities. Sadly, the text was likely written in such a way as to exempt third-party sick pay altogether effective September 29, 2007. The Ohio Municipal League is continuing its work to amend the law to its original intent. In response to the law, as it reads, and the impending interpretations, the Tax Department removed "third-party sick pay" from the definition of "taxable income" of the tax return instructions and information pamphlet, but we did not include it in the definition of "non-taxable income."

As a permissive measure in Amended Substitute House Bill 24, the General Assembly granted municipalities the authority to offer a deduction for individuals who pay cash to a health savings account and deduct the amount for Federal income tax purposes. A similar permissive measure was granted for self-employed individuals who pay medical care insurance premiums and deduct them for Federal income tax purposes.

III. United States Congress

In August, U. S. Representative Henry C. Johnson of Georgia introduced House Resolution 3359 "to limit the authority of States and localities to tax certain income of employees for employment duties performed in other States and localities." Officially dubbed the "Mobile Workforce State Income Tax Fairness and Simplification Act of 2007," the measure would limit localities to imposing income tax on wages of 1) residents, and 2) non-resident employees who work in the taxing jurisdiction for more than 60 days of a calendar year. This is the second attempt in as many years by the U. S. Congress to impose limitations on state and local taxing jurisdictions. In 2006, House Resolution 6167 was introduced and then died when the 109th Congress ended its term.

2007 Collections

In 2007, the City collected over \$21.18 million in employer withholding, individual, and business income taxes. This was a 14.25 percent increase over collections in 2006.

Business collections continued their volatility by increasing 43 percent over 2006's significant increase of 21.8 percent. These collections, from tax on businesses' net profits, comprised an astounding and yet another unprecedented 31.9 percent of 2007's overall collections of \$21,185,964. Annual collections have grown since 1983 and since 1995 at average annual rates of 6.64 and 6.96 percent, respectively.

Despite these increases, the annual change in Employer Withholding collections, historically, has been the best source for measuring trends and for estimating future collections. In 2007, these collections grew by a respectable 5.38 percent.

Income Tax Board Activities

James P. Thomas, CPA who was appointed by then Treasurer J. Steve Welton, resigned from the Income Tax Board of Review after over 20 years of voluntary service to the City. Mr. Thomas moved out of the City limits and was thus no longer eligible to serve. As Treasurer, Deborah L. Preston is in the process of filling this vacancy. This follows David A. Hackenberg's 2006 appointment of Douglas W. Huffman, of Firmin, Sprague, and Huffman Co. LPA, who replaced DuWayne Chambers. Mr. Chambers had to end his many valued years of voluntary service when he also moved out of the corporation limits.

Year	Withholding	Individuals	Business	Penalty	Interest	Court Costs	Pen, Int & Crt Costs	Annual Total	Percent Change
1983	3,759,023.38	256,561.98	492,979.21	10,343.79	7,712.11		18,055.90	4,526,620.47	
1984	4,099,910.71	261,778.12	500,817.35	18,472.18	8,775.69		27,247.87	4,889,754.05	8.022%
1985	4,319,335.66	266,777.96	597,036.91	19,363.93	9,217.38		28,581.31	5,211,731.84	6.585%
1986	4,535,912.71	280,826.24	735,800.80	23,635.45	10,229.30		33,864.75	5,586,404.50	7.189%
1987	4,742,921.72	277,580.70	669,662.73	22,763.67	8,740.45		31,504.12	5,721,669.27	2.421%
1988	5,163,757.03	226,986.09	848,066.77	25,897.25	9,846.35		35,743.60	6,274,553.49	9.663%
1989	5,476,502.70	170,799.84	979,710.34	26,058.96	10,949.12		37,008.08	6,664,020.96	6.207%
1990	5,675,101.72	188,207.58	1,025,850.19	24,888.77	9,346.84		34,235.61	6,923,395.10	3.892%
1991	5,931,941.86	166,208.66	1,010,756.14	27,302.08	10,643.97		37,946.05	7,146,852.71	3.228%
1992	6,289,451.95	186,443.83	988,063.95	33,152.40	9,890.77		43,043.17	7,507,002.90	5.039%
1993	6,684,164.38	205,929.18	1,155,081.49	9,493.19	6,478.25		15,971.44	8,061,146.49	7.382%
1994	7,758,133.70	799,090.40	795,075.82	5,872.52	9,425.80		15,298.32	9,367,598.24	16.207%
1995	7,575,764.07	840,226.83	1,009,398.45	8,527.82	12,019.63	2,007.15	22,554.60	9,447,943.95	0.858%
1996	7,980,004.16	953,301.40	998,036.93	8,179.61	16,439.74	2,192.61	26,811.96	9,958,154.45	5.400%
1997	8,428,257.21	940,620.66	1,114,185.32	28,090.57	17,095.17	2,443.46	47,629.20	10,530,692.39	5.749%
1998	9,072,423.87	1,052,110.75	1,570,677.71		13,624.36	2,288.12	25,147.82	11,720,360.15	11.297%
1999	9,898,733.34	1,200,636.61	1,984,944.09	9,235.34	22,186.86	3,293.52	38,612.32	13,122,926.35	11.967%
2000	10,349,064.23	1,124,236.26	1,579,555.77	15,574.38	24,984.17	3,861.17	44,419.72	13,097,275.98	-0.195%

200	10,824,788.0	1,083,722.9	2,409,620.0	15,791.5	22,365.1	4,404.6	42,561.3	14,360,692.3	
1	6	7	3	3	0	7	0	6	9.646%
200	11,081,952.8	1,158,561.0	2,640,371.7	16,413.7	25,945.3	7,461.6	49,820.7	14,930,706.3	
2	7	1	4	6	3	3	2	4	3.969%
200	11,168,674.9	1,265,421.6	1,844,708.5					14,278,805.1	
3	6	3	5					4	-4.366%
200	11,487,765.8	1,353,537.8	2,424,514.1					15,265,817.7	
4	0	1	1					2	6.912%
200	12,000,950.2	1,461,004.1	3,869,817.4					17,331,771.8	13.533
5	9	0	2					1	%
200	12,266,197.9	1,561,949.1	4,714,847.4					18,542,994.4	
6	2	0	4					6	6.988%
200	12,926,239.0	1,511,186.4	6,748,538.4					21,185,963.9	14.253
7	3	6	7					6	%

Annual Collections

