

City of Findlay, Ohio

Income Tax Department

Annual Report

2012

Structure and Composition

The Income Tax Department is comprised of an Administrator, one full-time staff member, one part-time staff member, and two to five full-time and part-time third-party staff members 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 and initiating most legislation during a minimum of four quarterly public meetings each year to ensure the department's funding, accountability, independence, and objectivity. The Tax Administrator is not a member of the Income Tax Board.

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. The Board of Review members are Mayoral appointment Martin Terry, Law Director appointment Douglas W. Huffman, and Treasurer appointment John W. Pinski, CPA.

2012 Tax Department Staff

Andrew Thomas
Cindi Kimmet
Tonya Stillberger
Angie Tussing
Angela Walker
LuAnn Bracy

2012 Board of Review

Martin Terry
Douglas W. Huffman
John W. Pinski, Jr. CPA

2012 Income Tax Board

Mayor Lydia Mihalik
Don Rasmussen
Susan Hite
Jim Staschiak II
Randy Ward

Income Tax Department Activities

I. Past-due Collections

Past-due collections in 2012 amounted to over \$451,470 of which \$40,000 is attributable to the one-quarter percent increase in place for 2010.

II. Tax Forms Mailing

In lieu of mailing tax forms packages, we revisited and expanded the practice of mailing postcard filing notices to individual and business taxpayers. To facilitate this change, we reserved the “findlaytaxforms.com” domain for customers to access the Tax Department’s website more easily. The new URL address directs users to the forms page, which also offers a link to the department’s main website.

III. Software

We have been using our existing proprietary database software package developed, supported, and maintained specifically for Findlay since October 2003. In 2010, after an unsuccessful attempt to transfer the software to a new server, we were informed the software was not fully compatible with the newer versions of Microsoft Window’s Operating System and SQL Database. We reviewed existing packages from at least three vendors, and we entertained a rewrite, a joint venture, and also virtual server and virtual PC that would have enabled the department to use the existing software for a few more years. City Council earmarked \$150,000 for the project.

Ultimately, only the data transfer services packages of the software, such as imports and exports, had to be rewritten for a meager cost of \$4,108.13. A software engineer and the Computer Services Department then successfully migrated the entire system to the new server. We reduced the appropriated funds to \$55,000 and retained the software engineer and implemented the following:

1. The ability to import taxpayer data for payments and for employer withholding liabilities and remittances received through the Ohio Business Gateway and thus eliminate manual data entry.
2. The ability for area tax practitioners to view their clients’ credit balances securely on-line.
3. The ability to offer on-line employer withholding reporting and remittances for area employers and for their practitioners and thus also eliminate manual data entry.
4. The ability to import taxpayer data for employer withholding liabilities and remittances received from the payroll service providers and thus also eliminate manual data entry.

We are evaluating additional applications such as on-line extension requests and posting employer-specific withholding forms securely on-line to eliminate the need to mail hard copy employer withholding forms.

IV. Ohio Business Gateway

The Ohio Business Gateway is administered, primarily, by an arm of the Ohio Department of Administrative Services in conjunction with at least eight other State agencies. The Income Tax Department continued to receive a growing number of extension requests, estimate payments, income tax return filings, and employer withholding remittances through the Gateway.

In 2011, the department implemented an automated import process for employer withholding liabilities and remittances submitted through the Ohio Business Gateway. This eliminated the manual data-entry process for 400 to 1,200 transactions from over 100 employers.

V. Village of Arlington

The Tax Department has completed its tenth year of administering the income tax on behalf of the Village of Arlington. The process continues to proceed smoothly and routinely. The Tax Department administers approximately 145 employer withholding accounts and approximately 775 individual and business accounts. 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, we estimate that Findlay derives 40 to 50 percent of its employer withholding revenue from non-residents. Considering the nation's climate toward state and local taxes—particularly in Ohio 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.

Arlington is prohibited from imposing tax on resident shareholders' distributive shares from S corporations. Bills originating in both the Ohio House and the Senate established voting requirements available only to communities that were imposing tax on this income by ordinance, rule, or regulation as of December 2002, which the Village was not. Senate Bill 180 of the 124th Ohio General Assembly established a November 2003 voting requirement for distributions from *interstate* S corporations, followed by House Bill 127 of the 125th Ohio General Assembly that established a November 2004 voting requirement for distributions from *intrastate* S corporations. As a result, Arlington is eligible to impose tax on S corporations only at the entity level.

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 as well as 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 several other communities across the State. The committee functions in a similar fashion as the regional groups, but works directly with the OML. The focus of this year's meetings was municipal income tax uniformity.

VII. Credit Card Payments

In March 2006, the Income Tax Department partnered with Official Payments to allow taxpayers to pay taxes using Visa®, MasterCard®, American Express®, and Discover® credit and debit cards. Taxpayers can visit www.officialpayments.com through a link on the City's website, or they can call 1-800-2PAYTAXSM and use an assigned jurisdiction code. Official Payments charges the users a convenience fee for its services, so there is no expense to the City.

VIII. Equipment Purchases

There were no major equipment or computer equipment purchases in 2012.

Income Tax Board Activities

The Income Tax Board's activities relate to legislative issues that are discussed in part I of the section below entitled *Ballot Issues, Ordinances, and Federal & State Legislation*.

Ballot Issues, Ordinances, and Federal & State Legislation

I. City of Findlay

Provisions related to wages and net profits “earned or received” in Sections 3, 4, and 5 of the Income Tax Ordinance were set to expire with the defeat of local ballot issue 3 in November. Comparable provisions already exist in the Rules and Regulations. Findlay City Council passed Ordinance Number 2012-101 to restore the verbiage, which ensures the Income Tax Ordinance properly coincides with the Income Tax Rules and Regulations.

II. State of Ohio

After nearly two years of discussion and debate, Ohio Representatives Cheryl Grossman and Michael Henne introduced municipal income tax uniformity legislation (Ohio House Bill 601). There were no provisions for central collection by the Ohio Department of Taxation. However, intrusive and restrictive language was dubbed “central administration” by those who penned the bill and favored such provisions. The bill fell prey to the 129th General Assembly’s lame-duck session, but will likely be reintroduced in 2013.

In 2011, Findlay City Council passed Resolution 44-2011 in strong opposition to any form of central collection of Ohio municipal income tax, but in favor of stand-alone legislation that will bring forth fair, equitable, purposeful, and practical municipal income tax uniformity to the State of Ohio.

2012 Collections

Total collections for 2012 increased 4.81 percent from the prior year to \$22,044,055.30, surpassing the highest previous year, 2007, by \$858,000. At a one percent rate, total collections increased 4.6 percent to \$17,685,621 and increased in each of the three categories, Withholding, Individual, and Business 4.1, .7, and 17.6 percent, respectively. Also at one percent, average annual collections have increased approximately 4.81 percent since 1983.

Employer withholding collections surged in December by at least \$225,000 likely due to a number of major employers, including the City of Findlay, having three paydays in November. Typically, three payday months occur in December or January. The December remittance for each of these employers would have increased by at least 50 percent with payroll levels held constant. This will occur again in 2013 and 2024, and possibly in 2019.

In November 2009, residents approved the first tax increase since Findlay’s income tax was enacted in 1967. By 6,393 votes to 5,336, the rate went from 1 percent to 1.25 percent for tax years 2010 through 2012. The rate increase was not renewed on November 6, 2012.

Year	Withholding	Individuals	Business	Penalty	Interest	Court Costs	Annual Total	Percent Change
1983	3,759,023.38	256,561.98	492,979.21	10,343.79	7,712.11		4,526,620.47	
1984	4,099,910.71	261,778.12	500,817.35	18,472.18	8,775.69		4,889,754.05	8.022%
1985	4,319,335.66	266,777.96	597,036.91	19,363.93	9,217.38		5,211,731.84	6.585%
1986	4,535,912.71	280,826.24	735,800.80	23,635.45	10,229.30		5,586,404.50	7.189%
1987	4,742,921.72	277,580.70	669,662.73	22,763.67	8,740.45		5,721,669.27	2.421%
1988	5,163,757.03	226,986.09	848,066.77	25,897.25	9,846.35		6,274,553.49	9.663%
1989	5,476,502.70	170,799.84	979,710.34	26,058.96	10,949.12		6,664,020.96	6.207%
1990	5,675,101.72	188,207.58	1,025,850.19	24,888.77	9,346.84		6,923,395.10	3.892%
1991	5,931,941.86	166,208.66	1,010,756.14	27,302.08	10,643.97		7,146,852.71	3.228%
1992	6,289,451.95	186,443.83	988,063.95	33,152.40	9,890.77		7,507,002.90	5.039%
1993	6,684,164.38	205,929.18	1,155,081.49	9,493.19	6,478.25		8,061,146.49	7.382%
1994	7,758,133.70	799,090.40	795,075.82	5,872.52	9,425.80		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	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	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	10,530,692.39	5.749%
1998	9,072,423.87	1,052,110.75	1,570,677.71	9,235.34	13,624.36	2,288.12	11,720,360.15	11.297%
1999	9,898,733.34	1,200,636.61	1,984,944.09	13,131.96	22,186.85	3,293.53	13,122,926.38	11.967%
2000	10,349,064.23	1,124,236.26	1,579,555.77	15,574.38	24,984.17	3,861.17	13,097,275.98	-0.195%
2001	10,824,788.06	1,083,722.97	2,409,620.03	15,791.53	22,365.10	4,404.67	14,360,692.36	9.646%
2002	11,081,952.87	1,158,561.01	2,640,371.74	16,413.76	25,945.33	7,461.63	14,930,706.34	3.969%
2003	11,168,674.96	1,265,421.63	1,844,708.55				14,278,805.14	-4.366%
2004	11,487,765.80	1,353,537.81	2,424,514.11				15,265,817.72	6.912%
2005	12,000,950.29	1,461,004.10	3,869,817.42				17,331,771.81	13.533%
2006	12,266,197.92	1,561,949.10	4,714,847.44				18,542,994.46	6.988%
2007	12,926,239.03	1,511,186.46	6,748,538.47				21,185,963.96	14.253%
2008	12,988,959.04	1,582,588.29	1,114,157.16				15,685,704.49	-25.962%
2009	11,990,526.45	1,640,212.82	949,911.69				14,580,650.96	-7.045%
2010	15,385,538.83	1,973,146.33	1,218,868.23				18,577,553.39	27.412%
2011	17,136,493.06	2,465,978.05	1,429,072.43				21,031,543.54	13.209%
2012	17,850,224.19	2,505,396.68	1,688,434.43				22,044,055.30	4.814%

