

City of Findlay, Ohio

Income Tax Department

Annual Report

2014

Structure and Composition

The Income Tax Department is comprised of an Administrator, one full-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.

2014 Tax Department Staff

Andrew Thomas
Tonya Stillberger
Christina Wilcox
Shannon Gorman
Beverly Eastman

2014 Board of Review

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

2014 Income Tax Board

Mayor Lydia Mihalik
Don Rasmussen
Susan Hite
Jim Staschiak II
R. Ronald Monday

Income Tax Department Activities

1. Past-due Collections

Past-due collections in 2014 amounted to \$459,500 of which \$75,100 is attributable to the one-quarter percent increase in place for tax years 2010, 2011, and 2012.

2. Tax Forms Mailing

This marked the fourth year that the Tax Department mailed postcard filing notices to individual and business taxpayers in lieu of tax forms packages. To facilitate this change, we reserved the “findlaytaxforms.com” domain for customers to access the Tax Department’s website more easily. The URL address directs users to the forms page, which also offers a link to the department’s main website.

3. Software

We have been using our existing proprietary database software package developed, supported, and maintained specifically for Findlay since October 2003. The database, reports, and presentation will be moved to a new server in early 2015.

4. 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 continues to receive a growing number of extension requests, estimate payments, income tax return filings, and employer withholding remittances through the Gateway.

5. Village of Arlington

The Tax Department has completed its twelfth 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 160 employer withholding accounts and approximately 750 individual and business accounts. Arlington incurs their own costs for refunds, tax forms, and court fees.

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.

6. 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 the municipal income tax reform bill, Substitute Ohio House Bill 5.

7. Credit and Debit 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 department'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. Official Payments has partnered with the IRS, 27 states, over 1,250 courts, utilities, and educational institutions, and with over 4,600 municipalities in all 50 states.

8. Equipment Purchases

The Tax Department purchased five Dell workstations and one Hewlett-Packard Laser Jet 600 M602 printer.

Income Tax Board Activities

The Income Tax Board's activities relate to legislative issues that would be discussed in part 1 of the section below entitled *Ballot Issues, Ordinances, and Federal & State Legislation*.

Ballot Issues, Ordinances, and Federal & State Legislation

1. City of Findlay

There were no ordinances or resolutions passed by the Income Tax Board or City Council.

2. State of Ohio

After over three years of discussion and debate, the Ohio Legislature passed Substitute House Bill 5 of the 130th Ohio General Assembly (formerly House Bill 601 of the 129th General Assembly). In early 2014, the bill was assigned to the Senate Finance Committee. Chairman Scott Oelslager designated Senator Bob Peterson to manage the municipal income tax reform legislation. Later, during the lame-duck session, the bill was transferred to the Senate Ways and Means Committee, chaired by Senator Bob Peterson. Both chambers of the Ohio Legislature passed the bill which was signed by the Governor on December 19.

Interpretations, summaries, and impacts of the bill are beyond the scope of this report. The bill can be viewed at: http://archives.legislature.state.oh.us/bills.cfm?ID=130_HB_5.

2014 Collections

1. Collections

Total collections for 2014 were \$21,458,499.38. Compared to 2013, this was a 14.10 percent decrease in the amount of \$3,523,665.84.

	Employer Withholding Actual	Employer Withholding One Percent	Individual Actual	Individual One Percent	Business Actual	Business One Percent
Collection Amount	15,711,917.16	15,706,122.90	2,067,176.01	2,019,078.92	3,679,406.21	3,658,219.50
Increase or Decrease	-99,205.09	323,724.74	-419,184.47	-153,458.29	-3,005,276.28	-1,870,986.06
Percent Incr or Decr	-.627%	2.105%	-16.859%	-7.064%	-44.958%	-33.838%
Percent of the Total	73.22%	73.45%	9.633%	9.442%	17.147%	17.108%
CAGR since 1983	4.72%	4.72%	6.96%	6.88%	6.70%	6.68%
CAGR since 1998	3.49%	3.49%	4.31%	4.16%	5.46%	5.43%
CAGR since 2004	3.18%	3.18%	4.33%	4.08%	4.26%	4.20%

CAGR = compound annual growth rate

Part of the decrease in the collections from 2013 to 2014 is attributable to the one-quarter percent tax increase rolling off at the beginning of 2013. The rate increase was in effect through 2012, but taxes for that year in all three categories would have been due and collected in 2013. This, of course, was not repeated in 2014. The decrease amounted to approximately \$424,000 for Employer Withholding, \$228,000 for Individuals, and \$707,000 for Businesses, for a total of \$1,359,000.

Lower gross sales, higher costs of goods sold, higher depreciation expenses, higher costs of employee benefits, higher operating expenses, and lower apportionment percentages also contributed to the reduction in Business collections.

A. Employer Withholding

Collections in this category are comprised of withholding remittances from Findlay employers that withhold the tax from their employees who work in the City and from non-Findlay employers that voluntarily withhold the tax from their employees who live in the City.

B. Individual

Collections in this category are from residents who earn wages from an employer that does not withhold the tax, from residents who earn profits from rental properties or business operations located anywhere, and from non-residents who earn profits from rental properties or businesses located in Findlay.

C. Business

Collections in this category are from tax on net profits apportioned to Findlay from C corporations, S corporations, partnerships, limited liability companies, and trusts that own rental properties, conduct business, perform services, solicit sales, operate, or maintain an office in Findlay.

2. Estimate Payments

The Tax Department administers a provision in the estimate payment requirements that enables any taxpayer to request permission to pay the entire amount of tax due when the annual income tax return is filed by the original or extended due date.

Paragraph 5 of Article VII of the Income Tax Rules and Regulations reads, "In the event the requirements prescribed herein may cause hardship to the taxpayer or to the City, and subject to prior written approval by the Administrator, the taxpayer may disregard the estimate payment requirements and pay the entire amount of tax due for the year when the return is filed, provided the payment is made and the return is filed on or by the original or extended due date as prescribed in Article V."

Business collections, which are taxes imposed on businesses' net profits apportioned to Findlay, are historically volatile. Estimate payment requirements often make collections in this category even more volatile because the latter three of the four payments are due two weeks before the fiscal quarters end and six weeks before the quarterly results are announced. Thus, seven estimate payments will have been made before the first of those seven payments can be evaluated against the annual income tax return for its accuracy. As a result, estimate payments are too often based on the previous-year estimates rather than the current-year financial results.

The goals of the policy are to ease the taxpayers' compliance burden, to stabilize the business tax collections at least to the stability of the apportioned net profits themselves, to maintain a reliable annual revenue stream for the City, to reduce substantial overpayments, and to minimize unnecessary refunds which are an expense item in the Tax Department's operations budget.

By monitoring and evaluating the legitimacy of estimate payments, rejecting those that seem unnecessary, and granting permission for some taxpayers to pay the tax when the returns are filed, the Tax Department has reduced *refunds* to businesses from highs of \$189,000 in 2007 and \$215,500 in 2009, to lows of \$63,549 in 2012 and \$64,036 in 2014. This has reduced the Tax Department's budget for refund expenses by approximately \$125,500 to \$151,500. Further, excluding extraordinary transfers of overpayments that occurred in 2008 and thereafter, the Tax Department has reduced *transfers* of overpayments from a high of \$1,266,000 in 2007 to a low of \$310,000 in 2013. This is a difference of nearly one million dollars.

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%
2013	15,811,122.25	2,486,360.48	6,684,682.49				24,982,165.22	13.328%
2014	15,711,917.16	2,067,176.01	3,679,406.21				21,458,499.38	-14.105%

Annual Collections

