

# City of Findlay, Ohio

## Income Tax Department

### Annual Report

2011

#### 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 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 voting or a non-voting 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.

#### **2011 Tax Department Staff**

Andrew Thomas  
Angie Tussing  
Cindi Kimmet  
Julia Nulton  
Tonya Stillberger

#### **2011 Board of Review**

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

#### **2011 Income Tax Board**

Mayor Pete Sehnert  
David Hackenberg  
Susan Hite  
Jim Staschiak II  
Randy Ward

## **Income Tax Department Activities**

### **I. Software**

The department continued development of the income tax software by merging the review and data-entry processes of thousands of lower-priority even and zero liability returns by putting the two functions one click away from each other. After performing the audit and file maintenance functions of the tax return review process, staff members can then proceed to enter taxpayers' critical numeric tax data by clicking a single button from each taxpayer's record. This has the potential to save 80,000 keystrokes.

We have been using this proprietary 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 Windows 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 to implement 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.
5. Implement a more defined and more fully integrated link from taxpayers' records to their corresponding small claims court cases and wage garnishments.
6. Implement globally unique identifiers for internal account tracking.

### **II. Past-due Collections**

After a thorough and unprecedented review of individual and business accounts receivables, we assigned over \$900,000 of estimated and actual past-due taxes to two collection attorneys. This contributed to a record amount of revenue from past-due collections of over \$370,000.

### **III. New Uniform Resource Locator**

With assistance from the Computer Services Department, we reserved the “findlaytaxforms.com” domain for customers to access the Tax Department’s website more easily. The new URL address will take users directly to the forms page, which also offers a link to the department’s main website.

### **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 Ohio Business 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 ninth 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. Many of these same colleagues have met more specifically as part of an ad hoc Ohio municipal tax task force to influence legislative issues and to encourage uniform municipal income tax policies, procedures, and practices by Ohio communities.

## **VII. Credit Card Payments**

Beginning 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](http://www.officialpayments.com) directly or through a link on the City's website, or they can call 1-800-2PAYTAX<sup>SM</sup> and use an assigned jurisdiction code (4553). Official Payments charges the users a convenience fee for its electronic transaction services, so there is no expense to the City.

## **VIII. Equipment Purchases**

There were no major equipment or computer equipment purchases in 2011.

## **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**

Governor John R. Kasich, Lieutenant Governor Mary Taylor, and Ohio Tax Commissioner Joseph W. Testa have openly entertained the idea of forcing municipalities to surrender their income tax collection operations to the Ohio Department of Taxation for a State-prescribed fee. This already exists for the municipal income tax on electric utility companies and local exchange telephone companies. Members of the Ohio General Assembly have also been fiercely lobbied for legislation to formally expand this practice.

Findlay City Council passed Resolution 44-2011 in strong opposition to any form of central collection of Ohio municipal income tax. Mayor Pete Sehnert accompanied the resolution with a letter to Ohio Senator Cliff Hite and to Ohio Representatives Robert Sprague, Michael Henne, Barbara Sears, and Randy Gardner. These officials either represent Findlay's district or have demonstrated an interest in hearing the concerns of municipal officers on their most significant source of funding safety and services.

Mayor Pete Sehnert's letter reads in part, "Drawing upon conversations we had with one of our major employers during the last attempt at municipal income tax uniformity, we echo the need for the Ohio General Assembly to revisit those issues left deficient, to correct those that have been blemished, and to address those that have been neglected. We strongly support stand-alone legislation that would bring forth fair, equitable, purposeful, and practical municipal income tax uniformity to the State of Ohio. [...] The ultimate goal should be to introduce and preserve stand-alone legislation that will serve the needs of Ohio's citizens, mitigate any negative impact on municipalities' revenues, and ease compliance for preparers and multi-jurisdictional taxpayers. Undoubtedly, some of these goals conflict, but genuinely selfless motives can result in good legislation."

### **2011 Collections**

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.

Total collections for 2011 increased 13.209 percent from the prior year to \$21,031,543.54, missing 2007's one-percent total by \$154,420.42. Without the rate increase, collections in each of the three categories, Withholding, Individual, and Business, increased 8.6, 11.8, and 7.6 percent respectively. The average annual increase in total collections since 1983 reached 4.82 percent, after factoring out the one-quarter percent rate increase.

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%

