

Ohio Tax

26th Annual

Ohio Tax

C O N F E R E N C E

Tuesday & Wednesday, January 24-25, 2017

Hyatt Regency Columbus, Columbus, Ohio

What's on the Horizon

Priceless Insights on Tax Department
Initiatives, Tax Reform,
Ohio Budget, and Business Taxes

Joseph W. Testa

Ohio Tax Commissioner,

Ohio Department of Taxation

Columbus

Tuesday, January 24, 2017

12:45 p.m. to 1:20 p.m.

Biographical Information

Ohio Tax Commissioner Joseph W. Testa

Joe W. Testa was appointed Ohio Tax Commissioner by Governor John Kasich in January 2011. He is the 18th Tax Commissioner to lead the Ohio Department of Taxation.

Testa leads an agency of about 1,100 employees and is successfully pursuing a mission to reduce staff and department expenditures while improving service to taxpayers by leveraging technology. Since taking office, Testa has reduced staff size by more than 250 people and cut the department's general revenue fund spending by more than 14 percent. Technologies including an automated call distribution system, webinars for tax professionals, telecommuting for audit and enforcement staff and expanding electronic communications with taxpayers have all contributed to better service, greater efficiencies and lower costs.

The Tax Commissioner is responsible for administering and enforcing most state and many local government taxes, including the state income tax, state and local sales taxes, and several business and excise taxes. All told, these taxes provide approximately \$30 billion in revenues to support funding of Ohio's schools and colleges, Medicaid, law enforcement, transportation and a myriad of other public services.

Testa joined the department with nearly 30 years of public service, including a 25 year record of accomplishment as an elected official. He was first elected Franklin County (OH) Recorder in 1985, and held that office until 1992. As Recorder he was responsible for the recording of all real estate transactions, liens and various other documents as prescribed by Ohio law.

Testa was then elected to the office of Franklin County Auditor, a position he held for 17 years until stepping away from office in 2009. As Auditor, he was responsible for managing an office with approximately 185 employees and entrusted with the appraisal of all real estate in the county, various fiscal services, involvement with personal property and estate taxes, and providing for Information Technology services for county government. Testa received numerous awards in office including the Outstanding Auditor Award by the Auditor of State (OH) twice, and he is the only two-time recipient of the Richard J. Makowski Outstanding County Auditor Award by the County Auditor's Association of Ohio (CAAO), and is a past president of the CAAO.

During and after his tenure as an elected official, Testa taught undergraduate courses in management, business analysis and technique, ethics, and organizational systems. Before entering public service, Testa worked in the private sector in management with a food products company.

Testa earned a Master of Human Resources degree from The Ohio State University, Fisher College of Business. He also holds a Bachelor of Arts degree in Public Administration from the University of Central Florida.

Testa is a veteran having served in the U.S. Navy (1968-72) from which he received a Vietnam Service Medal.

He is married, the father of two sons, and has three granddaughters.

Commissioner Testa's keynote slides are available at www.MECseminars.com under Taxation tab and Presentations.

Strengthening Ohio for Growth

Joe Testa

Ohio Tax Commissioner



Ohio Tax Conference

January 24, 2017

Ohio: A Better Place Today...

- **Budget surplus exceeding \$2.0 billion.**
- **Tax cuts totaling \$5.0 billion since Governor Kasich took office.**
- **Nov. Unemployment 4.9% (U.S. avg. 4.7%)**
- **436,200 new private sector jobs since January 2011.**

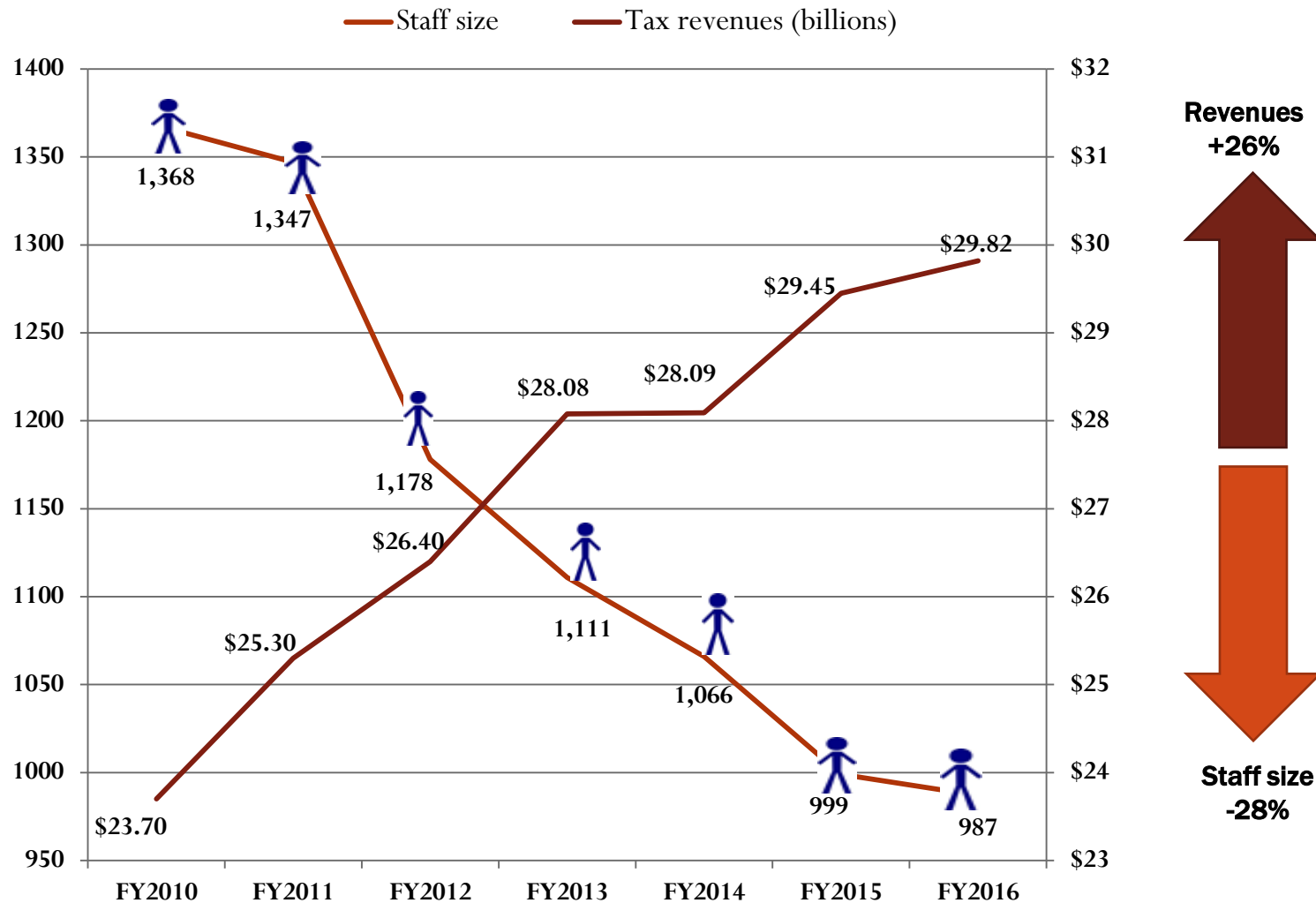
Ohio is Back on Track

- **Ohio #1 for growth in number of middle-market firms (revenues of \$10M - \$1B) since 2011 (National Center for the Middle Market, OSU Fisher College of Business)**
- **3rd Best business climate in the country; up from #7 nationally in 2015 (Site Selection Magazine)**
- **8th Best tax climate for small business (Small Business Entrepreneurship Council, 2016)**

Ohio: Signs of Slowdown

- **Tax Revenues: Still Growth but Short of Estimates.**
 - **F.Y. 16 closed w/approx. 2% growth.**
- **GOVERNOR: Expect Low – No GROWTH BUDGET.**
- **F.Y. 17 Tax Revenues – all taxes – 2.7% below estimates thru December.**

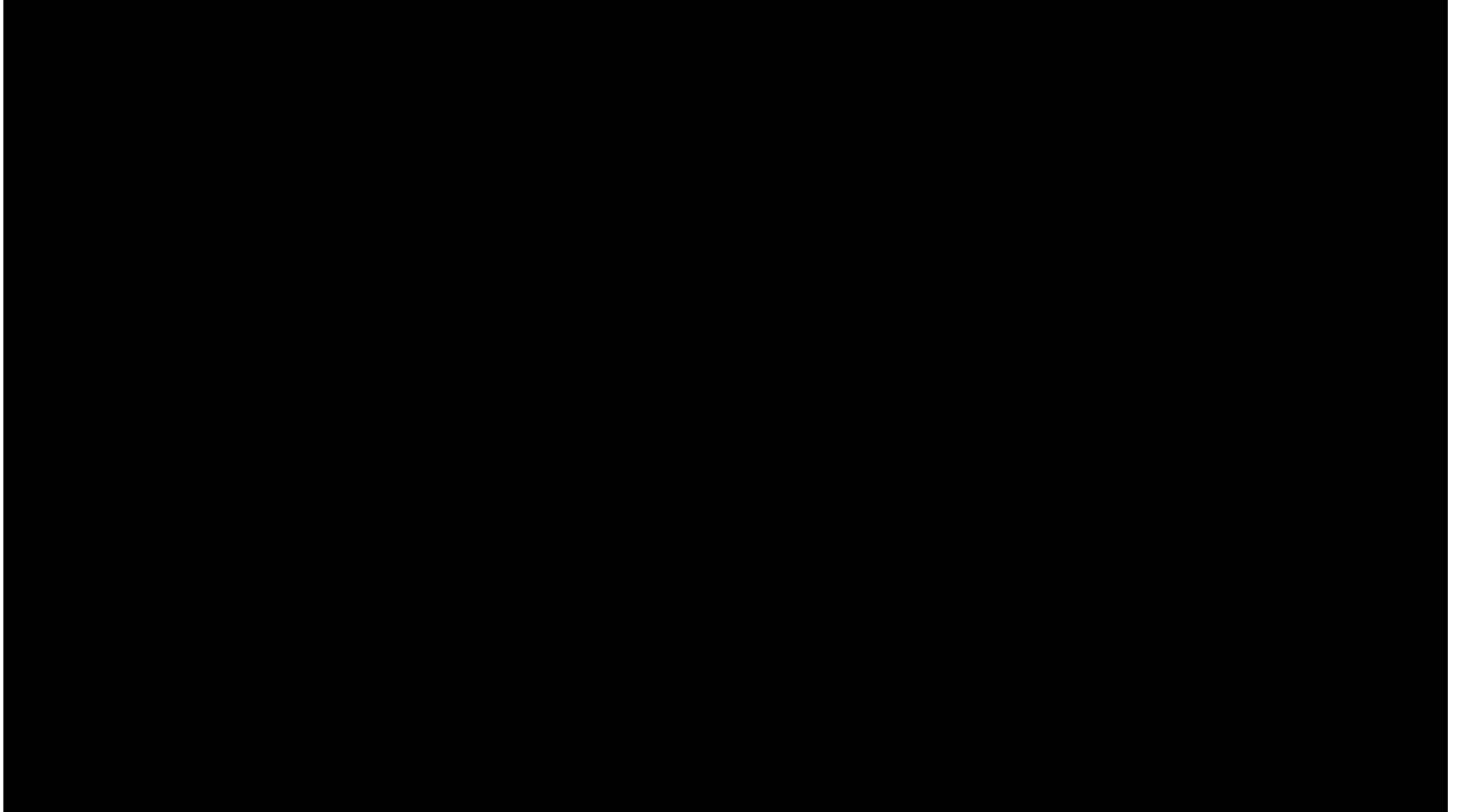
ODT Productivity Increase





A visit to the Fair





Ohio: Tax Cuts Timeline - 2011 - 16

\$5 billion breakdown

- **2011 - Estate Tax: \$1.0B**
- **2013 - Income Tax (10%): \$2.7B**
- **2014 - Earned Income & Business Deductions: \$481M**
- **2015 - Income Tax (6.3%): \$900M**

Cutting Taxes for Business

- **2016: 100% Deduction...NO TAX on first \$250K.**
- **607,000 Taxpayers took Business Income Deduction (TY 2015).**
- **3% Flat Tax on Business Income over \$250K.**



Ohio Income Tax Changes

- **Filing opened Jan. 23/closes April 18.**
- **Indexing of income tax brackets and personal exemptions resumes in 2016.**
- **New deduction: STABLE Account/\$2,000 per disabled beneficiary per year.**

Data-Driven Audit



- **Expanding data-driven audit program in 2017. Last year, sales tax only; now CAT – EWH – Business Income Deduction.**
- **Benefits: Greater objectivity; More focus/efficiency.**
- **Exploring trends:**
 - **NAICS**
 - **Comparative / Successive Filings**
 - **IRS Data**

Fighting Tax Fraud

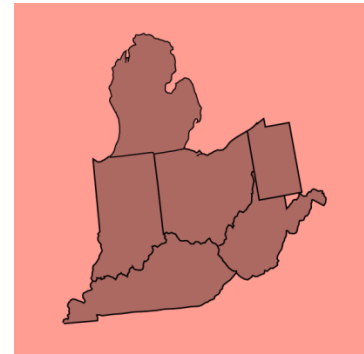
- **Blocked more than a \$1/2 billion in attempted theft of income tax refunds since June 2014.**
- **Security and prevention measures appear to deter / Attempts and amount of \$\$ sought down significantly.**
- **Improved system analytics to better identify true fraud and reduce impact on legitimate taxpayers / adding 'learning model'.**

Fighting Tax Fraud

- **ID Confirmation Quiz – 99.5% passed (in 2016).**
- **Quiz takers down significantly:**
 - **2015 = 1.8M took quiz.**
 - **2016 = 712,000 took quiz.**
- **Questions about the quiz down 50%.**

Fighting Tax Fraud

- **IRS, states, and industry sharing information.**
 - **Ohio hosted a ‘best practices’ conference with neighboring states (PA – KY – WV – IN – MI).**
- **Ohio: on-line filers (I-File): Driver’s license / state-issued ID & email address.**
- **Software vendors: email address.**





Department of Taxation News

- **STARS Project: Latest releases – Oct. (PAT, FIT, Resort Area, 9-1-1); Jan. '17 Public Utility Excise.**
- **22 taxes now in production since 2012 relaunch.**
- **Final Release: Pass-Through Entity Tax (June).**
- **Project Complete – June 30, 2017.**

Department of Taxation News

- **Electronic Information Services (i.e. internet access fees paid by businesses): Taxability sunsets on June 30, 2020 (estimated revenue impact: \$75M/state & local.)**
- **Sales tax on Medicaid Health Insuring Corporations ends June 30, 2017:**
 - FISCAL IMPACT (FY 18-19)**
 - **State govt: \$1.1B**
 - **Local govts: \$397M.**
- **Franklin County receipts totaled \$22.4M in CY 2016/ 7.4% of county's total sales & use tax revenue.**

Department of Taxation News

- **Ohio Business Gateway (OBG) 3.0 / System modernization.**
- **Goal: expand system capabilities, improve customer experience.**
 - **Enhanced search function to locate services / info.**
 - **Easier authentication process / password reset**
 - **More cohesive, coordinated relationship with state (TAX, BWC, JFS).**



Ohio Virtual Tax Academy

- **More than 6,900 attendees since OVTA began free quarterly seminars in March 2014.**
- **Free continuing education credits / 16,735 credits earned / 90% CPEs.**
- **Next session: Feb. 15, 2017 / Topics: Executive budget, Tax Expenditures & the Tax Expenditure Report, CAT news (Crutchfield) & CAT Audits.**
- **Register @ tax.ohio.gov (opens this week).**

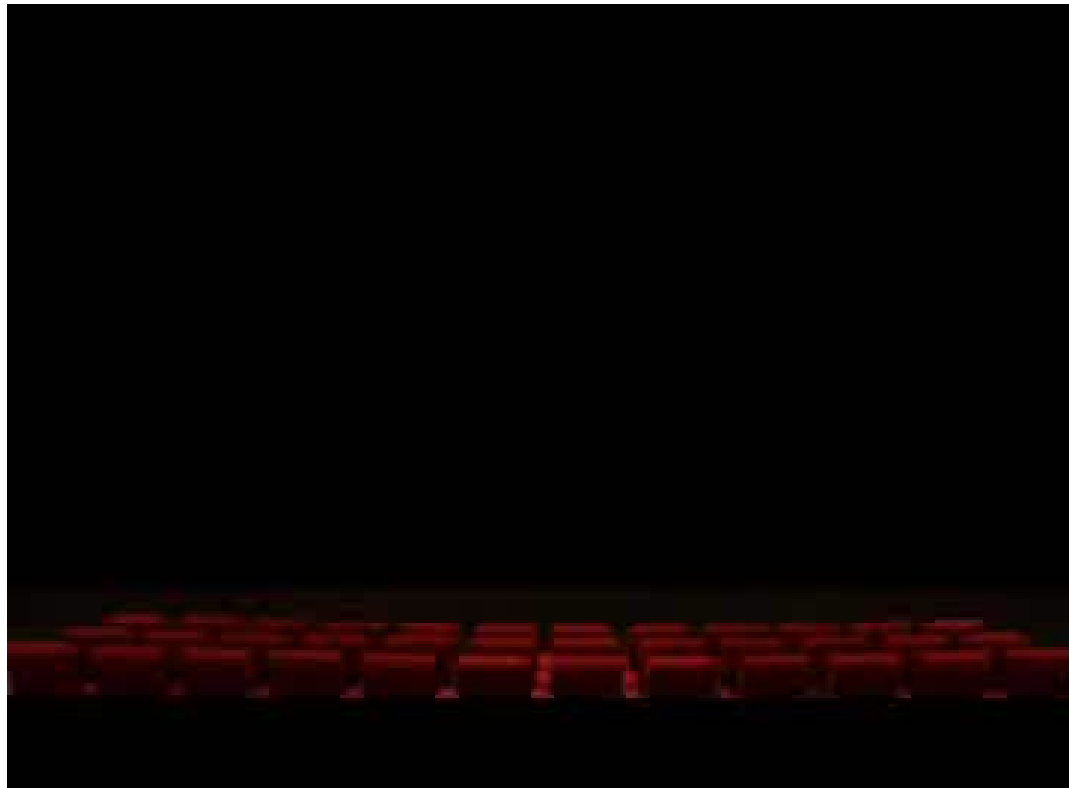
What's Next?

- **Executive budget / Releasing Jan. 30, 2017.**
- **Budget & revenues tight.**
- **Taxation 'listening tour' . . . impact on tax-related initiatives.**

Sneak Preview of Tax Reform in Governor's Executive Budget



Sneak Preview



Thank You

**For more information, email:
contactthecommissioner@tax.state.oh.us**

Ohio

**Department of
Taxation**