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GOVERNOR • STATE OF OHIO

Communication Department

Making Ohio More Taxpayer Friendly: Returning Tax Overpayments to Businesses ***FACT SHEET***

The Ohio Department of Taxation (ODT) is changing policy, procedures and systems to ensure that business taxpayers get refunds back when they overpay. While current Ohio law requires businesses to request a refund, it does not obligate the state to notify the taxpayer that a refund is available. In the past, if potential refunds go unclaimed the practice has been for the state to not notify the business and simply keep the money. Gov. Kasich and Commissioner Joe Testa are changing this anti-business policy so job creators are automatically notified of any business tax overpayments. Similar policies are already in place for income tax filers.

Ohio's old policy on returning business tax overpayments is anti-business, so we're fixing it. The mission of this administration is to make Ohio a friendlier place for job creation, and not notifying businesses that they've overpaid their taxes is wrong and anti-business. Under the new policy, ODT will update systems to proactively notify business taxpayers of overpayments so they can, among other things, reinvest this money back into their businesses.

ODT is making it easier for business taxpayers get their money back.

- Proactive outreach is ongoing to businesses that may have overpaid CAT taxes to the state. ODT has identified two groups of CAT taxpayers that will be contacted and encouraged to file for a refund:
 1. Taxpayers who are indisputably due a refund need only file a refund request form. Overpayments by this group total about \$6.5M plus interest.
 2. Taxpayers who *may* be due a refund will be asked to provide additional information and a refund request form. Overpayments by this group total about \$7.2M plus interest.
- ODT is currently exploring the possibility of displaying credit balances when a taxpayer files their CAT tax return through the Ohio Business Gateway.
- Once ODT is finished working through the CAT accounts, credit balances in other business taxes will be similarly analyzed to identify other business taxpayers eligible for refunds.

ODT has identified about 3,500 Commercial Activity Tax (CAT) taxpayers eligible for refunds totaling \$13.7M.

- ODT is currently in the process of reviewing CAT tax records of more than 184,000 taxpayers. Current Ohio law allows ODT to look back four years for CAT taxpayers who may be eligible for a refund.
- Through sampling, ODT believes approximately 11,000 CAT taxpayers will ultimately be found to be eligible for a tax refund.
- ODT will send letters to all potentially eligible taxpayers notifying them that they have a credit balance and may be due a refund.

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Common examples of how business taxpayers overpay without realizing it:

- File amended returns with lower tax liability than the original liability reported and paid.
- File amended returns with greater tax liability than the original return, then pay the full amended amount instead of just the difference in the tax amount due.
- Make duplicate (double) payments to their accounts.
- Fail to use their unused exclusion from the previous period(s). (\$1M per year is excluded from tax)

Commercial Activity Tax (CAT) Background:

- The CAT is Ohio's primary business tax. It is imposed on a business' gross receipts at a rate of 0.26 percent. No tax is due if a business has gross receipts of less than \$150,000 per year.
- The CAT generated tax revenues of \$1.65B in fiscal year 2012.
- As of December 20, 2012, there were 184,622 active CAT filers in Ohio

Refund request forms and more information about this program are available at the ODT web site – www.tax.ohio.gov.

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