

Problem Statement: Since 2011, the Kasich-Taylor Administration has reduced taxes by \$5 billion, the largest tax cut in the country. Income taxes have been virtually eliminated for small businesses and the burdensome estate tax has been fully eliminated. At the same time, through responsible budgeting we have increased Ohio’s rainy day fund from 89 cents to \$2 billion. Still, individuals and businesses throughout the state struggle to understand and comply with Ohio’s tax system, which too often seems irrational, overly complex, and stacked against the taxpayer. Competitiveness in the 21st century demands out of the box approaches to streamlining government and keeping Ohio as an attractive place to create jobs and raise a family.

Goal: To craft a tax collection system that is effective, but also simple, streamlined, fair, and customer-focused. Most notably, the Taylor Administration will simplify individual income tax filing – which started in 1972 as a postcard and today is 11 full-size pages – and return to the taxpayers what was promised in 1972, a simple, streamlined income tax filing.

Principles:

1. It Should be as Easy as Possible for Someone to Pay Taxes – The Ohio Department of Taxation (“ODT”) has two roles: to fairly apply tax laws and to help taxpayers comply with those laws. A taxpayer that wants to comply with the law should have as much help as possible to do so. ODT should be as transparent as possible in its interpretations of tax law so that a taxpayer never has to guess whether they are in compliance or not.
2. Simplicity is One of the Key Tenets of a Quality Tax System – The Ohio Society of CPAs says, “Good tax policy dictates that the simpler and more predictable a tax, the easier it is for taxpayers to comply and for ODT to administer.” Every effort should be made to make tax laws and tax filing requirements simple and streamlined.
3. Tax Withholding Tables Should Only Withhold Tax that is Actually Due – Ohio’s withholding tables are issued by ODT and are used by employers to determine how much Ohio tax should be withheld on employee wages. These tables currently require that employers over-withhold nearly 20% more tax than the average employee owes to Ohio. While that results in nice refunds each April, taxpayers should not have to wait to have use of their money throughout the year.
4. Taxpayers Should Not be Presumed Guilty Unless Proven Innocent – ODT employees should vigorously enforce the tax laws and should collect the revenue necessary to run the state. However, that part of its mission must be balanced with appropriate levels of customer service, treating taxpayers in a respectful, straightforward, and transparent manner. It should not be assumed that a taxpayer who has trouble complying with the tax law or disagrees with the Department of Taxation’s interpretation of it is a tax cheat or is trying to game the system.

5. Tax Department Actions Should be Based on Law and Tax Policy, Not Revenue Needs – ODT’s job is to collect taxes based on the law, not based on its interpretation of the harm or benefit a decision will have on the state’s budget. Too often, decisions of the ODT are perceived to be made based on a desire to maximize state revenue at the expense of the taxpayer, regardless of the fairness of the decision. This forces taxpayers to file expensive appeals which take years to resolve.

Actions:

Reduce the Income Tax Form to the Size of a Postcard – The 1972 individual income tax return was the size of a postcard, short form on the front, long form on the back. The 2016 individual income tax returns was 11 full-size pages, with no short or long form. The instructions for the 1972 tax return, which were 18 pages long, have ballooned to 60 pages long. We need to get back to the simplicity of 1972’s tax compliance regime for individual taxpayers in Ohio. This is achievable and long overdue for individual taxpayers – Ohio streamlined and simplified the business tax system in 2005 by eliminating two taxes and replacing it with the simplified CAT.

Update Tax Withholding Tables – The systematic over-withholding built into Ohio’s withholding tables is essentially an interest-free loan by taxpayers to the government. Ohio taxpayers should not be forced to make this loan and wait for repayment every April. A Mary Taylor Administration will immediately begin working to update those tables to reduce this over-withholding and ensure taxpayers keep their money as it’s earned.

Prevent Audits From Being Used to Establish Retroactive Tax Policy – At times, tax audits have been used by ODT to undermine the way a tax policy has been interpreted for years. As a result, a taxpayer who has acted in good faith is caught off guard and forced to pay several years of back taxes, interest, and penalties – even when the taxpayer has followed commonly-accepted practices. The Taylor Administration will respect accepted interpretations, will use the legislative process to change tax policy, and will apply changes in tax policy on a prospective basis. Taxpayers will not be penalized for good-faith efforts to comply using accepted practices and understanding of the law.

Establish a Taxpayer Advocacy Office – Taxpayers need an independent advocate who listens to them and is committed to helping them understand the tax law and their rights. Mary Taylor will establish a taxpayer advocate within the Common Sense Initiative to help taxpayers comply with the tax law and to advocate for changes to tax law, policy, interpretations, and application when taxpayers are treated unfairly. The taxpayer advocate will be independent of the Tax Department hierarchy to ensure fairness to the taxpayers they serve. Being independent, the taxpayer advocate will also assist taxpayers in resolving problems they are having with the Department of Taxation.