

# TAX COLLECTION AND COMPLIANCE BEST PRACTICES – INCOME TAX/BED TAX

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**OHIO GFOA ANNUAL CONFERENCE – SEPTEMBER 27, 2024**



# Efficient Collection & Reporting of Municipal Tax: Transformation from Analog to Digital



THE CITY OF  
**COLUMBUS**

OFFICE OF MEGAN N. KILGORE,  
CITY AUDITOR

# Efficient Tax Collection & Reporting Municipal Tax

# Milestones



**17<sup>th</sup>**

*Jan-2021*

## **RFP Complete**

*Auditor Kilgore's  
office completed  
RFP for Integrated  
Tax Revenue  
System*

**19<sup>th</sup>**

*April-2021*

## **Council Approval**

*Council passed  
ordinance No  
0867-2021*

**1<sup>st</sup>**

*Jun-2021*

## **Project Launched**

*Converting 200+  
Applications &  
scripts to one  
platform*

**26<sup>th</sup>**

*Sep-2022*

## **Rollout #1**

*Withholding  
Individual  
Corporate*

**5<sup>th</sup>**

*Jun-2023*

## **Rollout #2**

*Hotel Motel,  
Short Term Rental  
Admissions*



Columbus Application for Revenue and Taxation (**CARAT**)  
The internal application for Income Tax Division:  
**Workflows, Customer Data, Auditing, Collections, IRS Data, Reporting, KPI's.**



Columbus Revenue Information Services Portal (**CRISP**)  
online tax portal for customers:  
**CRISP.COLUMBUS.GOV - File, Communicate, Pay**



Online Tax Understanding System (**OTUS**):  
Chat Bot mascot for **Interactive Taxpayer Guidance.**

# Returns & Payments



Lockbox



Modernized e-File

(Drake, Ultra Tax, TaxAct)







- ▶ Auditing
- ▶ Automated Billing
- ▶ Automated P&I
- ▶ Discovery & Auditing
- ▶ Customer Relationship Management
- ▶ Collection Agency Integration
- ▶ Revenue & General Ledger Integration
- ▶ City Attorney Office Integration
- ▶ Withholding, Individual, Corporate
- ▶ Hotel/Motel, Short-term Rental, Admissions

- ▶ Reporting & KPI's
- ▶ Financial Tracking
- ▶ Refunds
- ▶ IRS FTI Data
- ▶ Payments
- ▶ Collections
- ▶ Correspondence
- ▶ Task Management
- ▶ ID Verification
- ▶ Withholding Bulk Upload

# Legacy Applications & Process

Tax Maintenance Program (Maintenance) Using Server: ptax as DEO (5.23)

File Options Window Macros Help AcctSearch

Next Acct [ ] Search AcctMaint Doc Rtn Notes\_ Error List

Acct No	Fiscal	Status	Code	Begin Date	End Date	Short Form	Folder	Status Maint	Address Date
000000001QB	0	I	NFE	01/01/1993	12/31/1993	N	Y	04/21/2006	05/09/2003

Audit Date Birth Date Pay Freq IT-15's CES/ADP Sister Acct Phone Phone 2 Phone Type

Address Names (Enter = Exit Grid) (Alt T = Selects) SSN / FID Code

Address Names	SSN / FID	Code
ST.PARTNERSHIP	000000001	NFE

ATTN-C/O C/O COLUMBUS INCOME TAX DIVISION Add Sister Acct ☐ Resident Override 0

TP Name PARTNERSHIP TEST ACCT #2 +Source Document

Address1 ATTN: MICHAEL D JONES

No. Prefix Street Name Type Suffix Unit Type Unit #

50 W GAY ST F 4

Foreign ☐ COLUMBUS State Zip Zip+4 CRRT Delv. Pt.

OH 43215 2315 00

ACH Registration: NIA City Flags Resident Mailing Labels

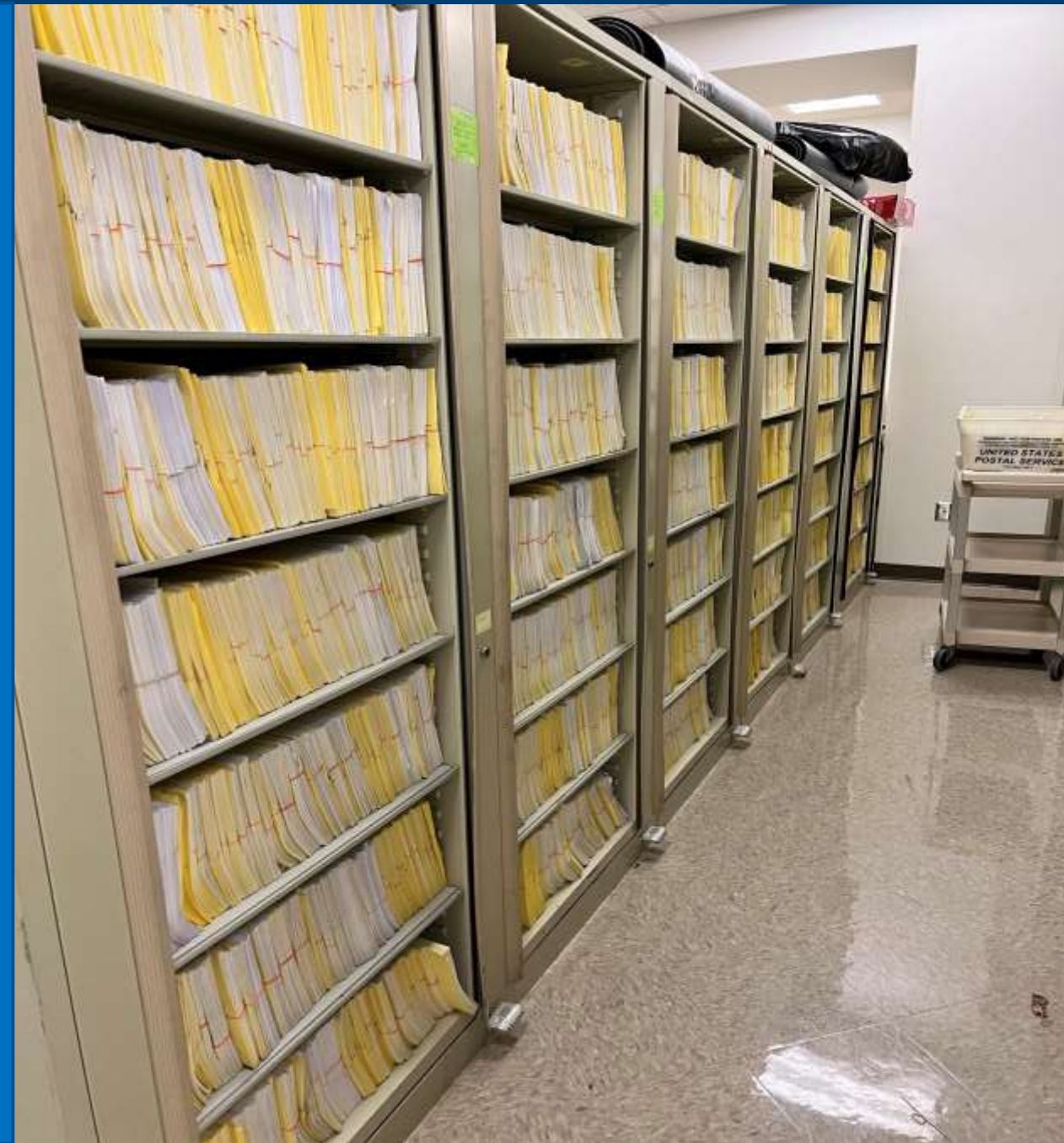
☒ 01-Columbus ☐ 10-Obetz ☐ 14-Brice ☐ 21-PTWPO JEDZ ☐ 22-PTWP JEDO ☐ 23-GV YARD

☐ 06-Grove City ☐ 11-Canal Winchester ☐ 16-Harrisburg

☐ 09-Grove Port ☐ 13-Marble Cliff ☐ 20-NPC JEDD

Post/Doc Post Cancel

Database: PTAX Security: MAINT November 11, 2014







### Registration

Register with the City of Columbus to file and pay my taxes.

- > Create a Logon for an Existing Customer
- > Register a New Customer



### Payments

Make an online payment towards an existing balance or account.

- > Make a Payment



### Returns

Use this free service to electronically file your 2023 Individual Income Tax return.

- > File a 2023 Individual Income Tax Return
- > Resume Filing a Saved Return Draft



### Refunds

View my refund status or verify my tax refund to expedite processing.

- > Where's My Refund?
- > Verify My Identity



### Tax Jurisdiction Search

Look up tax jurisdictions for greater Columbus area addresses.

- > Address in Tax Jurisdiction Search



### Contact Center

Communicate with the City of Columbus Income Tax Division.

- > Respond to a Letter
- > Book an Appointment
- > Find My Appointment
- > Manage Formal Assessment



# Collaboration



# EMPLOYEE EMPOWERMENT



Training



Reorganization

**SQR's**  
Service Request



**SME's**  
Subject Matter Experts

# Short Term Rental



# Short Term Rental

**Letter of Good Standing**

**Short Term Rental Permit**

**Monthly Filing  
Requirement**

# Letter of Good Standing



**For Your Reference**  
Date:  
Letter ID: [pstrDLN]

We have received your request for a Letter of Good Standing and reviewed the following Columbus Income Tax Division account(s):

**Your account status**

Based on your tax filings as of the date of this letter, your account(s) is in good standing due to the following reasons:

- You have no outstanding balance for tax, penalty, interest or late charges.
- You have filed all required tax returns.
- You have no outstanding audit issues.

**How to contact us**

For questions related to your account or Columbus Revenue Information Service Portal (CRISP), contact us online at [pstrCL\_CrispUriDisplay] or call the [pstrCL\_CityTaxDivName] at [pstrCL\_CityPhone]. CRISP offers customers the ability to manage their tax accounts in one convenient location, 24/7, including secure messaging and our chatbot OTUS.



**For Your Reference**  
Date:  
Letter ID: [pstrDLN]

## Short Term Rental Letter of Good Standing

STR-12345678

100 Main St Columbus OH, 43227

We have received your request for a Letter of Good Standing and reviewed the following Columbus Income Tax Division account(s):

**Your account status**

Based on your tax filings as of the date of this letter, your account(s) is in good standing due to the following reasons:

- You have no outstanding balance for tax, penalty, interest or late charges.
- You have filed all required tax returns.
- You have no outstanding audit issues.

**How to contact us**

For questions related to your account or Columbus Revenue Information Service Portal (CRISP), contact us online at [pstrCL\_CrispUriDisplay] or call the [pstrCL\_CityTaxDivName] at [pstrCL\_CityPhone]. CRISP offers customers the ability to manage their tax accounts in one convenient location, 24/7, including secure messaging and our chatbot OTUS.

# Thank You!



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# CONTRACTOR COMPLIANCE – MUNICIPAL INCOME TAX

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# Contractor Compliance

## Contractor Type #1

Contractors that come in and out, without a set schedule, to perform smaller jobs

- Deck Contractors
- Window Installers
- Residential Roofers
- Plumbers
- Electricians
- Landscapers

## Contractor Type #2

Contractors that bid out larger, commercial construction projects

- New school
- New shopping development
- Road reconstruction
- Bridge renovation
- Building renovation
- Residential housing development



# Contractor Compliance – Type 1

## Contractors That Come In and Out, Without a Set Schedule, to Perform Smaller Jobs

- The majority of contracted work over the course of a year;
- Jobs are smaller dollar value; and
- Most contractors on the job 20 days or less
- More on that in a minute...



# Contractor Compliance – Type 2

## Contractors That Bid Out Larger Commercial Construction Projects

- These projects will have a lengthy list of sub-contractors;
- Jobs are higher dollar value; and
- Most contractors on the job for more than 20 days.
- Let's do this now...

# Occasional Entrant Rules

## Generic 20-Day Rule

- Employee must perform services in an occasional entrant municipality for more than 20 days before the employer is required to withhold tax for that employee for that municipality;
- Tax withheld for the employee's principal place of work for the first 20 days.

## Construction Exception

- If employee performs services at a construction or other temporary worksite location;
- At which the employer provides services for more than 20 days;
- All wages earned by the employee at that location are subject to withholding, without regard to the number of days worked.



# Occasional Entrant Rules

## Schedule C Contractors

- Compensation that is not wages;
- Paid to a non-resident individual;
- For services performed on 20 or fewer days in the municipality;
- Is considered earned, and is taxed, at the individual's "base of operation" or domicile.

## Small Employers

- Employer with less than \$500k in gross receipts;
- With a fixed location in Ohio;
- Withholds municipal tax for the municipality of its fixed location;
- Without regard to the number of days employees work in any municipality.

# Keys to Success...



Awareness (Yours and Theirs);



Communication; and



Persistence



# Awareness

## Establish a Required Procedure For All Contractors

- Require contractors to register as taxpayers BEFORE issuing a permit;
- Require a permit for every job that they perform in your municipality;
- Develop a procedure to coordinate this information between your permitting function and your income tax administrator



# Awareness

## Evaluate the Information You are Requesting on Your Registration and Permit Applications

- Everyone asks for the basics – contact information, EIN, etc..;
- Make sure you are asking for information that has value;
- Consider adding some or all of the following:





# Awareness

Evaluate the Information You are Requesting on Your  
Registration and Permit Applications – Add:

1. Location and date of job being performed
2. Brief summary of the work being performed



# Awareness

Evaluate the Information You are Requesting on Your  
Registration and Permit Applications – Add:

3. Estimate of days to be spent on the job
4. Days worked in the municipality year-to-date
  - Remember the 20-day occasional entrant rule?



# Awareness

Evaluate the Information You are Requesting on Your  
Registration and Permit Applications – Add:

## 5. Estimated contract amount

- Helps project expected tax withholding revenue, and identify compliance issues sooner
- We generally see that tax rate x 20% of the contract amount is within a +/- 3% margin of withholding revenue to be generated
- Example - \$100M retail complex in a 2% taxing community, expect \$400k (+/- 3%) in withholding revenue



# Awareness

Evaluate the Information You are Requesting on Your  
Registration and Permit Applications – Add:

6. Are subcontractors being used? Yes/No
7. List all sub-contractors used
  - Name and contact, EIN, contract amount



# Communication

## Convert Identified Information Into Collectible Tax Dollars With Communication

- Set up a kick-off meeting/call with internal stakeholders – Finance, Tax, Economic Development, Building Department
- Discuss project scope, contract amount, start and expected completion dates, and agree on compliance strategy and cadence of status updates



# Communication

## Convert Identified Information Into Collectible Tax Dollars With Communication

- Tax administrator or designee contact the general contractor to introduce themselves, discuss filing requirements and confirm sub-contractor list
- Issue a welcome notice or letter to each identified sub-contractor, advise of their tax filing requirements
- Track and communicate progress





# Persistence

## Show Up and Analyze

- Tax administrator or designee visit the construction site periodically
- Make it obvious you are there to check things out and get a sense of personnel presence on-site
- Show up randomly or schedule periodic walk-throughs with the general contractor



# Persistence

## Show Up and Analyze

- Conduct a thorough analysis of expected to actual withholding revenue
- Identify shortfalls and implement non-filing compliance strategies – letters, administrative subpoenas, etc.
- Typical shortfall reasons are – improperly coded employees, lack of awareness of local tax, use of previously unidentified sub-contractors

# Questions?

# Thank You!



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