

IDAHO STATE TAX COMMISSION

COMMISSIONERS' BUSINESS MEETING MINUTES OF MEETING JANUARY 28, 2025

In attendance: Chairman Jeff McCray; Commissioners Janet Moyle, Paul Woods, and Jared Zwygart; Evan Sailor, Lisa Kopke, Julie Eavenson, Rick Mascall, Lisa Palmer, George Brown, Alan Dornfest, Kim Wind, Elisa Magnuson, Rhamona Grabenstein, and Aaron Yost. Commissioner Paul Woods joined by phone.

Public Session

Chairman McCray called the meeting to order and welcomed all those in attendance.

Business requiring a vote of the Commission.

Minutes: Regular Business Meeting – October 22, 2024

Commissioner Moyle moved to approve the minutes of the Regular Business Meeting held on October 22, 2024. Commissioner Woods seconded the motion. There was no discussion; all commissioners voted aye, and the minutes of the Regular Business Meeting held October 22, 2024, were approved.

Minutes: Idaho Economic Estimates Commission Meetings – December 9, and December 10, 2024.

Commissioner Woods moved to approve the minutes of the Idaho Economic Estimates Commission Meetings held December 9, and December 10, 2024. Commissioner Zwygart seconded the motion. There was no discussion; all commissioners voted aye, and the minutes of the Idaho Economic Estimates Commission Meetings held December 9, and December 10, 2024, were approved.

2025 Forestland Values

Jerott Rudd, Property Tax Operating Property Bureau Chief presented the 2025 Forestland Values saying he has oversight and has presented the forestland values for the last couple of years. Going forward, this responsibility will be passed to the Consulting Appraisers in Northern Idaho. They will take over the valuation of forestland and stumpage values.

Forestland values are based simply on a rolling average of the stumpage values that were established last October. This is a five-year rolling average. Land values are down, for the most part. As he noted in the October stumpage value presentation, the primary reason for the decrease is that 2018 rolled off and was a higher average than recent years. He's spoken to the Idaho Department of Lands about any other reasons there might be a decrease. They said it's based on supply and demand and what they've continued to see over the last couple of years is a return to a more normal demand since the pandemic. The high demand during the pandemic is slowly rolling off.

The Commission has a letter, as well as the calculation showing the 5-year rolling average. It is limited to an increase of negative 5% or positive 5%. Zones 3 and 4 were limited to a negative 5%, Zone 2 is at negative 4.41%, and Zone 1 went up slightly over last year. These are the forestland valuations for 2025.

Commissioner Woods thanked Mr. Rudd for his work and said it's difficult to see values going down in Idaho, but it makes sense, and he appreciates the work. Mr. Rudd thanked Commissioner Woods and said calculations were more difficult in the past. Legislation passed in 2020 limited the increases to negative 5% to positive 5%. Values have been more stable since then.

Commissioner Zwygart moved to accept the 2025 Forestland Values. Commissioner Woods seconded the motion. Chairman McCray asked Maria Young, Management Assistant, to conduct a roll call vote. Commissioner Zwygart, Commissioner Woods, Commissioner Moyle, and Chairman McCray all voted in favor. The 2025 Forestland Values were approved.

Administrative Reports

Lisa Palmer, Tax Appeals Manager

Ms. Palmer said there is an Appeals Resolution Meeting January 29, 2025, and one on February 19, 2025, both at 10:00 a.m.

The Appeals Unit has no current open projects, nor have they requested any. There are currently 167 open cases. Since October 2024 to date, they've closed 89 cases. The resolution for those 89 cases were: 46% resolved by writing a decision, 32% involved a protest withdrawal from the taxpayer, 0.02% were resolved with either a closing agreement or settlement agreement. Twenty-two percent were closed miscellaneous: either the returns were filed, or the Appeals Specialist canceled the notices of deficiency (NOD). Eight cases were presented before the Board of Tax Appeals: three were upheld by decision of the Board, and five were dismissed in our favor. The average time to close a case is 173 days.

The Appeals Unit has no vacancies, and her staff continue to assist Taxpayer Services and the Taxpayer Resource Unit (TRU) with answers to complex questions and with reviewing legislation. Their newest tax specialist, Greg Hiatt, has completed his probationary period and is now a permanent employee.

Commissioner Zwuygart asked about the average days to close a case saying it seems to be increasing. He asked if Ms. Palmer's noticing less participation from taxpayers. Ms. Palmer said that could be part of it. It seems taxpayers have little, or no motivation with no interest accruing to provide information. Some are just complex cases. Commissioner Zwuygart asked if there's any way to bring that number down. Ms. Palmer said they work through cases as quickly as they can. Some taxpayers set their informal hearings for two to three months out because of their calendars, and during this time of year, the certified public accounts (CPAs) are very busy, so it will be even more difficult to schedule the informal hearings.

Evan Sailor, Compliance Division Administrator

Mr. Sailor began by reporting on the development work orders, or SQRs, saying they have five in unplanned production maintenance (UPM). Over the last six to nine months, with the FAST Collection Services (FCS) implementation and recommendations, and some of the "bugs" involved with that, there were increased UPMs. This is far more reasonable. The X-9 E-Levy project just went live last week with Mountain America Bank. Everything is going well. Mountain America Bank previously sent checks to the Tax Commission after the 21-day wait period, but now, they've agreed to submit funds via ACH, or automated clearing house, which is the primary system agencies use for electronic funds transfer (EFT). Now everything is electronic. On February 10, Compliance will begin testing with US Bank. Everything is configured and in place with them, so if the testing goes well, they will also go live and then they'll move on to testing with Chase Bank. He expects to have something in place with Wells Fargo Bank in April or May. Wells Fargo is implementing the program in Wisconsin and if that goes well, they've asked Idaho to be next.

The non-filer/Estimated Case Creation project that keeps getting bumped for other priorities is now on track and they hope to begin in March. This will lower the caseloads for Compliance Officers. They "chase zeros" because they estimate payments which inflates the accounts receivable, then they must resolve the accounts. They're looking forward to this project.

Over the first six months of fiscal year 2025 (July 1 – December 31), Compliance created 66,471 cases which is an all-time high; however, they've closed 80,888, which is also an all-time high. In some years, they open more than they close, so this is a good year. He credits FCS and the philosophy of CODE (Contact, Options, Deadline, Enforcement) for the improvements in closures and the time frames. The current open caseload is 50,203 cases, which is also a good number because they can go as high as 60,000. As of December 31, Compliance has recovered \$128.4 million. This morning, it was \$140 million which was about \$16 million ahead of this time last year. Again, \$14.4 million, or 19.8%, of the recoveries are due to FSC. They had guaranteed at least 10%, and we've been hovering at about 16% - 20%. The current outstanding accounts receivable balance is \$206 million.

Mr. Sailor talked about the training in Compliance, saying they appreciate Colby Cushman, Project Manager, and Shannon Carter, Business Analyst, Technology and Innovation Bureau, for their help and training for the cashiering manager and managed payments. These programs impact Compliance because of the high volumes of payments they receive over the phone and in the Field Offices. It was a good thing they were able to front-load the training for them. They've continued training on FCS, adding some of the upgrades that were made, and the X-9 E-Levy process they've implemented with Mountain America Bank. The X-9 E-Levy process and the responsible party due process training have been loaded into Luma and are now part of the training for Compliance Officers.

Additional debt liability has been an issue for them before, so they've developed training and have improved those processes. There was previously minor risk, but they've asked for system upgrades to mitigate that risk, and they've put an additional debt liability subject matter expert (SME) in each of the Field Offices — and before anything goes out, they must review it. That has helped tremendously.

Some accomplishments include that the call center is working more efficiently and effectively now and they're doing a good job. Typically, they're answering about 100% of the calls. It fluctuates between 70 – 80 calls normally with 200 – 300 during the busy times, depending on when the letters are sent. They continue to assist the taxpayer services unit with calls and the front counter.

In December and January, both he and Rod Howard, Field Office Bureau Chief, individually visited all the Field Offices. They were able to separately sit with each of the individual employees and visit one on one. They've had some recent service retirements including Patty Gilmore, Compliance Officer 2 (CO2) from Lewiston, and Shelly Johnson, Compliance Officer 3 (CO3) from Boise. They'll fill those positions soon.

There were three recent promotions, including Elizabeth Anderson from Technical Records Specialist 1 Idaho Falls promoted to CO1, Roxana Luna promoted from CO2 to CO3 in Coeur d'Alene, and Nick Strickland promoted from CO1 to CO2 in Twin Falls. Twin Falls had four CO1's. Those positions manage the front counter. All Field Offices have at least three, except for Idaho Falls who only had one. When Mr. Strickland was promoted from CO1 to CO2, his vacant position was moved to Idaho Falls to provide more support there to enhance customer service.

Commissioner Woods asked Mr. Sailor to explain the X-9 E-Levy process. Mr. Sailor said previously, Compliance did everything by hand including printing letters and serving them or faxing them. Commissioner Woods clarified that he's asking what an X-9 E-Levy is. Mr. Sailor said it's a change from a manual to an electronic process. If someone has an account at, right now, Mountain America Bank, and they're not paying their tax debt, they're put into forced collection. Staff can now serve the levy electronically. The bank responds electronically every night. If the funds are available, the bank lets Compliance know and transfers funds electronically. It removes the need for any manual intervention from Compliance staff. They've served approximately 15,000 – 20,000 bank levies and about 10,000 – 15,000 wage levies this fiscal year, so electronic filing alleviates a great deal of work. Commissioner Woods followed up asking if Mr. Sailor said it is loaded into Luma. Mr. Sailor said the training is in the learning and development module in Luma. Many groups' skills training plans are now in Luma so the training can be monitored.

Commissioner Woods said in Mr. Sailor's report to the Commission, it shows the number of cases with the OCA, the debt owed and then recovered. He asked if the number \$274,000 recovered is correct with \$67.3 million owed? Chairman McCray asked that Mr. Sailor first explain the OCA. Mr. Sailor responded that it's the outside collection agency, Professional Credit, with whom the agency has a contract. When a case becomes unworkable for the Tax Commission – there's no assets in Idaho, or the taxpayer has moved out of state – we can send that case to the OCA. The reason those numbers are so high is because they were initially given many old "uncollectable" cases that had been sitting up to 12 years and would have eventually been written off because there was no way to collect. Going forward, the numbers won't be that big because we're not providing that

much. In total, there are over 9,500 cases totaling \$67 million. In this fiscal year, OCA has collected \$274,000. We began with them in February 2023, and they've now collected over \$1 million. There's been a running debt of about \$60 - \$67 million. The good news is that in the past, we wouldn't have collected anything. It would have all been written off. Commissioner Woods asked who decides to write it off? Mr. Sailor responded that if the amount is under \$50,000, Compliance staff may write off the amount based on a delegated authority. He outlined the amounts each group is delegated authority to write off. At each level, they must receive supervisory approval. Anything over \$50,000 must be reviewed and approved by at least two Commissioners and requisite staff, as outlined in administrative rules and statutes. They review multiple factors, including undue hardship and the amounts because some amounts are \$100 or less. There is an "uncollectable" category that are allowed to sit and if there are no assets to be located, those are then transferred to the OCA to determine if there's anything available anywhere before being written off. They attempt as many avenues as possible to collect. Commissioner Woods asked if we're tendering the debt to them or just allowing them to work the cases. Mr. Sailor said we allow them to work the cases. We send them the files with the amounts, and they receive a percentage of the recovery. We hold the debt. Commissioner Moyle commented that what Mr. Sailor outlined is also taxpayer friendly in that those are more tools available to collect because the OCA can work directly with the taxpayer and provide several other layers of attempts to contact.

George Brown, Property Tax Division Administrator

Mr. Brown highlighted items in the report submitted to the Commissioners for this meeting. He particularly talked about the implementation of a single-source tax administration and appraisal software and projects needed. He's currently drafting a request for information in the hope of obtaining a budget request for next year. County Treasurers and Assessors support a single system that is externally sourced. That's exciting for them.

The property tax reduction (PTR) seminars occurred in October and November. Commissioner Woods and he just met with a group of Treasurers, who are typically on the back end of the process, ensuring the money goes where it's supposed to go. The Treasurers have a bigger process and have requested they be more involved in the PTR process and receive more education. The current schedule for the seminars falls during their busy season, so Property Tax will schedule meetings, or trainings, during times when the treasurers can attend. Their role is very important. It was a good meeting.

Tax drive was unusually smooth this year. They had a couple of late counties which is normal, but not excessive. They also completed a successful conversion in Nez Perce County from their home-grown system to UAD Web. They were able to bring back a retired long-term employee, Trudy Charles, who was able to help with this conversion and he believes if they're able to keep her around, they will be able to complete at least one more conversion per year because she's intimately familiar with the AS-400 systems, having worked on them her whole career.

Overall, they're doing well with all their positions except for the geographic information systems (GIS) Manager. A new GIS analyst started last week, and they've recently hired a new software engineer III (SE III). They've hired SE III's recently that quit before starting because as everyone is aware, information technology (IT) positions are difficult to fill and retain. He believes, with the current staffing in GIS, they will maintain their statutory obligations, but they will only be able to do the minimum required. They've delayed much of the training they've done in the past due to staffing issues.

In the Operating Property Bureau, the Supreme Court case with Idaho Power resulted in large refunds in counties and local government. Now, there is disagreement between county Treasurers and Clerks on how to issue the refunds. He doesn't know why and they're trying to help the counties in any way possible to get that done, but there is confusion.

In general, the ratio studies show a flattening of the market, maybe a little down depending on the category and the county. They're also seeing a drastic reduction in sales. It's an indicator of the market because

there are high interest rates, and high prices, so there are less sales. It hurts us a little because there are fewer sales in small counties, so we have a difficult time measuring their level of assessment just because there's no data. It's not catastrophic, but it's good to know that's what's happening with the market.

The Commissioners can review the education information submitted by Jeff Middleton, Property Tax Education Director. They had a successful Winter School with about 250 class registrations. It's slightly low, but about average for a Winter School because it's more difficult to get here.

Commissioner Woods recognized Mr. Brown and his staff for the work they've done. Meeting with the Treasurers yesterday was a nervous moment for him because he didn't know what the meeting was about in advance. He praised Mr. Brown and his staff because it was a productive meeting talking about how to improve our process. He said it was informative; it appears there are just different opinions by different people about how to handle the Supreme Court's decision. He believes the issue is resolved now. Everyone in property tax worked hard to have a successful tax drive.

Rick Mascall, Revenue Operations Division Administrator

Mr. Mascall began with statistics, saying the individual income tax (IIT) increased 1.4%, which is almost what he estimated for this year. Next year's estimate is 1,038,000. They are still at about 90% electronic, which is comparable to other states. He doesn't expect that to change very much. With business income tax (BIT), they did see almost a 1.5% increase. He's hoping that is due to the Idaho Society of Certified Public Accountants (ISCPA) and the outreach they've done because it really helps when those business returns are electronic. More automation kicks in and they capture more data. He hopes it continues. Refunds are up as well. The new business registrations have remained static and there are slight increases in withholding and in the sales tax returns.

Training continues to be the focus of Revenue Operations. The RO Academy continues moving along. Zak Viker, Agency Training Specialist, helped get the training into Luma and that has helped them to track participants and keep a view of what training they've received and how it works. Additionally, they haven't had anything after the RO Academy, so they hired a Training Specialist, Tammy Schwendeman, who has a teaching background. He's hopeful she can set up the curriculum and create more standardized training plans. Recruiting and retention was good at about 9%, which is a little higher than it has been, but he's still happy with it because much of the turnover was due to internal promotions. That's a win. They had a good hiring event, with the help of Human Resources, who helped bring people in. They were skeptical at first because they didn't have many people showing up, but they ended up hiring almost everyone they needed. They targeted about 50 at the time and they ended up with about 53 at the end and he believes they'll be onboard soon.

The temporary hours this year compared to last year, for January through June, increased. That's the busiest time of year and because they were able to process everything so quickly, they were able to decrease the number of hours in the second half of the year. Last year, they processed all Idaho Annual Withholding (Form 967) reports timely, which historically takes a large amount of temporary employee hours. He's provided some graphs depicting the seasonal employee hours.

Mr. Mascall talked about the progress in systems and technology. He updated the Commission on the annual system upgrades, FRED, saying the controlled launch for paper returns began on January 6 and is fully functioning. There are a couple of unplanned maintenance orders they're resolving, but they aren't big issues. Direct file is now live. It was supposed to be available on January 27, but it wasn't online until after 9:00 a.m. He hasn't received information about the returns they've received through that yet, but it should begin coming through with the modernized e-File (MeF) files and they should know soon.

The processing center modernization (PCM) is the new imaging project and is the biggest thing going on right now for Revenue Operations. There are four phases to that project. The first phase was infrastructure, getting the cloud and the environments set up including development, testing, and production on Amazon Web Services (AWS). He signed off on that in January. The second phase is focused on permits, payments, and vouchers. They

have a detailed design they've been working on. It's slower than they thought it would be, but he wanted to hold off because he wants to make sure it has everything we need. He's just being diligent and disciplined to ensure we get it the way we want it in the beginning. Phase three will be income tax. There will be pressure on that now and he expects it to be online by December 31 to process 2025 income tax returns. The final phase is correspondence, which will be the biggest efficiency for us because they'll be able to process letters that come in for Audit, or RO, or Compliance and they'll be directed to the person instead of the current process: they receive the letter manually, scan it, put it in a folder, then someone else has to move it. This will be more efficient.

The Idaho Business Registration (IBR) project is on hold right now for other priorities. There were two phases: the first gave them several automations. The second phase will increase the automation and hopefully build a better link between the Idaho Department of Labor (IDOL) and the Tax Commission. We aren't getting files timely, or even daily and then there's a big volume and it's difficult to process them timely. He's anxious to get this started again.

The initial data operations (IDO) mail is roughly the same. The electronic returns continue to increase, but the paper returns remain the same. The big efficiency for the registration and processing group is the letters that are sent. For the past year, they have been making phone calls instead of sending letters, if they can. This process improvement has decreased the number of letters they've sent significantly. They're now going one step further, in alignment with what Compliance has done, and they're changing the request for information letters to have a phone number in Revenue Operations instead of the Taxpayer Services Unit. He believes this will also help to decrease the number of letters sent.

They've had eight new hires or promotions in Revenue Operations. He's already mentioned Ms. Schwendeman, and they've hired two Technical Records Specialist 1's (TRS1) in IDO. They've had a big loss: Nico Yingling, Tax Automated Systems Specialist, has resigned and will be greatly missed. They're trying to fill that position. The supervisor for the business section has been open since November or December. They didn't receive many applicants initially, so they've reannounced the vacancy and are hoping for qualified candidates.

Chairman McCray commented that he appreciates the work on the letters and phone calls and the personal touch. He also appreciates that they will now be able to bypass the taxpayer resources unit and go straight to the people closest to the issue. That demonstrates good customer service and our vision of helping people and serving Idaho. He noted that in the presentation, Mr. Mascall mentioned that they are developing curriculum and plans and asked whether it includes documenting standard operating procedures in that process. Mr. Mascall replied that they have many procedures in Revenue Operations and yes. Ms. Schwendeman is in RO Academy right now trying to figure out how to operate systems. As she builds out the curriculum, she will use the procedures in Revenue Operations, and she'll update them if there are changes.

Chairman McCray noted that he's commented on Mr. Mascall's and Mr. Brown's time in each other's divisions to get experience in what goes on in other parts of the agency and he thinks that is extremely beneficial. The more we can learn about what each other is doing is better for the agency. He thanked them for volunteering to do that.

Kim Wind, Audit Division Administrator

Ms. Wind began by reporting on the development work orders (SQRs) in Audit. The second quarter saw an increase from the fourth quarter due to House Bill 445. They're now back on track.

Fake W-2s is 56% of the fraud schemes, still. She doesn't see that going away. The grocery credit is another, at 22%. The Fast Identity Verification System (FIVS) is still doing well, identifying 49% of the fraudulent returns. It has been a huge benefit to the state of Idaho. The Fraud Unit identified 51%. There is a new scheme with 1099-NECs, which is non-employee compensation for independent contractors, claiming Idaho withholding. It's hard to identify, so she's not surprised fraudsters are trying it.

Ms. Wind is proud of Audit's criminal unit. The Funeral Home case has been in the news, and she highlighted it in the report submitted to the Commission. The case is still in mediation with the next due date March 3, 2025. There are several embezzlement charges in the report, along with fake W-2's. Elder abuse charges have begun to appear more. She thanked Renee Eymann, Public Information Officer, Senior, in the taxpayer resource unit (TRU), for publishing sentencing information when those cases are adjudicated. They work closely with the county prosecutor's offices and they're receiving more referrals for suspected Elder Abuse.

Audits closed for the second quarter in fiscal year 2024 were 4,337/. This year, there are 5,015. There is always an ebb and flow, but they're monitoring that with monthly reports. She's aware that historically, audits take a long time to complete, so they're staging and trying to complete them quicker. The audit recoveries for fiscal year 2024 were \$16 million, and in fiscal year 2025 it was \$24 million. There were some large withholding audits, which isn't normal, but there was also income tax and sales tax in that total.

The Audit Surveys have been sent for years, and since it's a way to recognize employees, she's now reporting those to the Commission. One would expect a survey in Audit to have low scores, but the opposite is true. In the second quarter of 2024, those that agree or strongly agree (with scores of 4 or 5, on a 5-point scale) were 92% positive. In fiscal year 2025, it was 98%. That also ebbs and flows, as indicated by the third quarter of 2024 when one respondent was unhappy about being audited. Ms. Wind highlighted some of the outstanding employees' responses in the Audit Newsletter, calling them Survey Superstars who received all 5s on the survey: Caleb Ross, Tax Auditor 4; Lola Lynch, Program Specialist-Contract Desk; Eric Robbins, Tax Auditor 1; Brenden Gilliland, Sales Tax Auditor 2; Andrew Jones, Tax Auditor 2; Barbara Wanner, Tax Auditor 2; Dovi Mattox, Tax Auditor 1; and Ron Yu, Tax Auditor 1. Congratulations to these employees for receiving all 5s in an audit survey, from the person being audited.

Ms. Wind reviewed some accomplishments in the Audit Division. The Management Automation Support (MAS) group completed the managed payments project which moved the agency closer to FAST Core development, as well as completing multiple SQRs. They've done a great job. The Sales Tax Audit unit completed the renewal of the Direct Pay Authority program. It only comes up every five years and is part of an operational excellence project they've been working on to ensure that if someone from that group isn't around the next time it's due, they'll still be able to do it. Lee Ely, Tax Auditor 4, and Don Curtis, Tax Audit Manager, were instrumental in making this happen. The Fuels Tax Audit unit surpassed all annual audit requirements for the International Fuels Tax Association (IFTA), International Registration Plan (IRP) and Full Fee (a registration program for carriers of IFTA-qualified motor vehicles that rarely leave the state of Idaho) in November, well in advance of the year-end deadline.

Dandan Shao, Tax Auditor 2, and John Vail, Tax Auditor 2, participated in the Meet the Small Firms event at the Idaho Society of Certified Public Accountants (ISCPA) in November. This is an opportunity to recruit and speak with students interested in joining small firms or state agencies. They did a good job and Ms. Wind also thanked Laura Lantz, Executive Director of the ISCPA, for inviting the Tax Commission to participate. James Hammack, Tax Auditor 4, and Elena Gonzalez, Tax Policy Specialist, of Government Affairs, were invited to speak to a legislative committee at the Vape E-Cigarette Regulatory System about tobacco, including how it's defined, how it's taxed, and how it's reported.

Dawn Nicholson, Tax Auditor 1, Nicki Witt, Tax Audit Manager, and Mari Gates, Tax Auditor 1, in the Criminal Fraud Unit, attended the Boise State University (BSU) College-bound Parent Day. They talked with parents and students of the refugee community to explain why it's important to file returns every year and to be careful with who they choose as a provider. It's unfortunate that some preparers target these communities by telling them they'll get a huge refund, then Audit must tell them they've been defrauded. This team provides outreach to those communities.

Ms. Wind congratulated Rebecca Danley, Tax Audit Bureau Chief, on completing two strategy action items with outstanding quality including the UP! Mentoring program that was relaunched with 34 participants,

and for the career paths for all agency positions that provides all staff with clear guidance on the next steps available to them.

Ms. Wind also included in her report statistics on how they've increased their audits by 17% and the average time to close an audit has decreased from 15.4 hours to 13.2 hours. Reporting has paid off. She's previously reported about how well they're doing, but now she can back it up with data.

Audit currently has the fewest number of vacancies she's seen. She said they're seeing a much better candidate pool, and she thanked Human Resources for their assistance. They recently had two good candidates for the one position that was available in Twin Falls. They recently hired someone who left after being hired because they wanted to be a teacher. This isn't an easy job but they didn't leave for another agency. She believes the increase in pay has helped with that.

Scott Slaughter was promoted to Tax Auditor 4. Mr. Slaughter has been with the agency for a while and is a subject matter expert. He'll be assisting Greg Busmann, Tax Audit Bureau Chief, and has already been helping respond to legislative inquiries and building a database of questions and answers to aid the research group.

Commissioner Woods commented on the charts and graphs Ms. Wind provided in her report and said that the recovery amounts aren't as crucial to him as the amount of time it takes to close an audit. He said he's impressed with the audit survey scores.

Julie Eavenson, Public Information Director

Ms. Eavenson followed up on comments made by Ms. Wind saying that Renee Eymann works closely with the Fraud Unit to get the press releases published. She wants to ensure Ms. Eymann receives credit for that. They also have the taxpayer access portal (TAP) survey comments that have been put into a database and categorized by common themes, also to help the research group. The recent retirements in the agency have left knowledge gaps and they're working with the Appeals Unit and Audit Division to fill in some of those gaps.

It's been almost two years since she completed Communication Strategy Training. She would like to recommend ways to share updates to the Communication Strategy. There's been turnover and this is a way to help focus on who we are as an organization. She's looking forward to putting together a plan for the Leadership Team to review.

Ms. Eavenson highlighted that the taxpayer resource unit (TRU) produced the program insert for the Associated Taxpayers of Idaho (ATI) and they've completed their information kits, so now, there are information kits for anyone to use when talking to the public. She's proud to have completed those. Steve Taylor, Training Specialist, wants all Education and Outreach activities, including everything from webinars to appearances at Chambers of Commerce, to focus on the fact that the Tax Commission is a resource, dispelling the idea that we are malevolent.

Ms. Eavenson said media coverage at 98% of everything they're tracking is neutral. Positive coverage is always good, but neutral coverage is also good because we want to be factual and educational. We want people to trust us. She considers that very successful. She noted that the agency hasn't been able to monitor or manage our X posts for about one year. They're subscription-based, at \$80 per year and while we were posting to X, she couldn't see the statistics. With the one-year membership, they'll now be able to monitor whether it's beneficial to be on that platform.

This year was a good year to look at what's going on in the call center. There were no rebates, and they didn't have many calls related to Empowering Parents. Compliance changed their letters, so those calls are going directly to Compliance. They handle 60% of the calls. She doesn't believe they'll ever get to 100% because there will always be questions and there will always be a queue. For the most part, with the 13 people they have, 60% is good. The actual average handle time has gone down and the total number of calls handled by the Government

Affairs unit was 562. Philip Johnson, Tax Specialist in Government Affairs, is the primary contact for specific questions. He's said that he's now getting complex questions. The front-line staff can answer the "how to" questions, and they can walk callers through the website. She previously received five to ten per week and many were from the Governor's office saying we weren't helping people. She doesn't receive those complaints any longer. They can now get people on the phone with confidence within two weeks. She knows there have been many conversations about what they're doing in the call center. If she had five more people, she'd be handling as many calls as Compliance.

Commissioner Zwuygart said the insert for ATI was very well done and he thanked her and her unit for that. Ms. Eavenson thanked him and said they are good at the "how" we deliver things, but the content is owned by the people in the room and those with whom they work. They help TRU deliver things that are meaningful for the taxpayer.

Commissioner Woods asked Ms. Eavenson to elaborate on the column in her report that is blank but says "average representatives ready (coming in 2025)." Ms. Eavenson said one of the ways in call centers that you can calculate the number of people you need in seats is how many you have every day ready to take calls. While they're talking about percentage handled and average handle time, if she had 4 or 5 more people, they'd be able to drill down into how many people are ready to take calls. For example, over the quarter they lose people, but they'll be able to look at how many people were in their seats every day and take an average of that and how many calls they were able to handle. When she asks for more people, she'll be able to say why, and they'll roll it up to a quarterly number.

Lisa Kopke, Financial Executive Officer, Management Services

Ms. Kopke said the Tax Commission's Joint Finance and Administration Committee (JFAC) hearing was scheduled for February 12, 2025, but that has changed. The Legislative Services Office (LSO) has some scheduling conflicts and asked us to appear earlier. She's happy to report that we are ready and our JFAC hearing will now be Friday morning, January 31, 2025.

The 2025 fiscal year to date receipts and accruals to the general fund are \$2.469 billion which is up about 5.9% over the same period last fiscal year. The personnel budget has about 51% remaining, even though we're past the halfway mark. We generally have between a 5.6% and 6% vacancy rate at any time throughout the year, so it's appropriate to revert those funds if those positions aren't utilized. There is 23% remaining in the operating budget. This is significant from last year because we are using some of the features in Luma. We're now able to put things like contracts into purchase order form and see what the estimated expenditure will be through the end of the fiscal year. Normally, we would report at this time of year that rent, and licensing would still be due, and contracts that still need to be paid are already earmarked – or spent. This is money that remains, and we must still pay for administration and postage that are paid throughout the year, but we don't know the estimated expenses. The capital outlay has about 48% remaining through December 31. In January, the remaining one-time capital purchases were made. Those were appropriated by the legislature. The reason we try to have those purchases made by January or February is to keep from rolling funds over between fiscal years. We need to ensure we use all appropriations correctly in the current fiscal year. It saves work for everyone, and it usually takes that long for everything to arrive.

There are 22 development work orders (SQRs) in different phases. She's excited that only one of those is Luma-related. Most are break-fixes. Having only one in Luma means they're getting better at implementing changes to the system.

The events steering committee updates include the fundraiser in December for our staff. She thanked Mr. Sailor and Mr. Brown for dressing up and walking around with Santa before he left the agency. Employees raised \$394 that was used for Christmas and the Helping Hands committee. It's all employee donations. In total, they had about \$4,700 this year that they were able to spend on our Christmas Families and Veterans in December. That's a big number and we're thankful to our employees for the donations. The Employee Appreciation Event

will occur in March. She's been told it will again be a "Spud-tastic" Event. The Employee Picnic will be in July. The dates for both these events will be solidified soon.

There were two internal promotions: Kaia Weiss was promoted to a Business Analyst and Toni Nash was promoted to Senior Buyer. There are three vacancies in Management Services.

Commissioner Zwuygart asked Ms. Kopke to clarify that the operating budget is so low because she's already entered the expenditures. Ms. Kopke said yes, those items are technically paid, we just need the invoice to arrive to match the purchase order. Commissioner Woods asked if she's encumbering capital outlay and this is a projection of how we'll end the fiscal year. Ms. Kopke responded no. We are not encumbering. The goal is to not encumber anything. Through the month of December, there was 48% of capital outlay still available. We made purchases in January, so the money has been earmarked. Before the end of this fiscal year, that number will change. We expect to spend all but about \$16.74. That's how close we came in capital outlay. Commissioner Woods said ideally, this would end up at zero and he asked if this is an attempt to forecast. Ms. Kopke said it is a forecast through December. The goal is to eventually get as close to zero as possible. She must keep enough to pay for approximately \$100,000 per month for postage through tax season and to pay for travel, training, and other expenses that are part of normal operations. They entered the contracted prices using purchase orders because those costs are known. The remainder is available for normal operations and by the end of the fiscal year, will be almost zero. Commissioner Woods asked if the intent in reporting this number is to raise awareness about when we should stop spending. Ms. Kopke said yes.

Chairman McCray recognized the employees for the \$4,700 they raised. That is more a testimony of our engagement than our engagement score. That the team would be willing to come together and pool their resources to help others in need is an awesome statistic. He thanked her for reporting it.

Isaac Joyner, Technology and Innovation Bureau Chief

Mr. Joyner reported on their action items noting the Windows 11 upgrade and the new device and laptop deployments remain works in progress. He combined them because they involve collaboration between Tax Information Technology-Operations (IT-Ops) and Information Technology Services (ITS). The Windows 11 upgrades must be completed by October 2025. Since it's an operating system upgrade, the new device deployment is essentially the same thing. They started with just under 300 devices they're tracking for the Windows 11 upgrade. They've deployed about 50 so far. The next work in progress he has noted is the Internal Revenue Service (IRS), social security report (SSR), and the corrective action plan (CAP) submissions. The SSR is submitted annually in April and the CAP is submitted bi-annually, in April and October. The CAP is a progress report of changes implemented for the SSR.

Mr. Joyner's report covers developer work (Dev work), the Annual Plan, and agency training. The key takeaway for the Dev work is the downtick in unplanned maintenance. Today, leaders have mentioned the increase in development work orders (SQRs) within the agency, which has been production maintenance focused. Developers completed 111 SQRs. The downtick in unplanned maintenance creates more opportunities for production maintenance and projects. The Annual Plan completion percentages and counts noted in his report to the Commission include both FAST and Tax Commission developers' hours combined through December. They currently have 5 of the 9 projects implemented for Audit, 2 of 9 for Revenue Operations, 2 of 4 for Compliance, 4 of 10 projects implemented for the agency, by way of the Project Management Office (PMO), and 2 of 4 for Property Tax. This combined effort saw 15 of 36 projects, or 42%, complete. He's surprised they've been able to implement so many projects. They started with House Bill 445, then FRED, and Managed Payments occurred during that time. They're also moving into the process center modernization (PCM) project and the Core 21 upgrade for Gen Tax. Those are all large projects in and of themselves and staffing is very limited. He expects to see a downturn in project completion for the third quarter, but they're still on target to complete a significant amount.

Mr. Joyner talked about the agency training hours tracked in Luma. Currently, the report he's submitted shows the total agency recorded hours of 7,617, including Compliance, with 4,068 hours, Revenue Operations, with 923 hours, and Audit with 1,563 hours. As Luma reporting grows, they'll be able to narrow the scope to the quarters and see more accurate reporting.

The quarterly Technology and Innovation Bureau meeting focused on strategy and responsibilities. There is always a focus on strategy because that's his part. The leaders in the Bureau talk about their accomplishment, and he presented two 30-year service awards this quarter, one to David Irwin, Operations and Support Technician, and one to Marc Norton, IT Manager III. Those came with letters from the Governor. The PMO added project management tracking and statistics to Tax Insider, the internal Share Point page available to all Tax Commission employees. This page will show all completed projects, those in progress, the Annual Plan, and quarterly updates. It's all now available for anyone in the agency to see. Major projects completed for this quarter include FRED, TAP Registration improvements (Phase II), Pay It, and Managed Payments. He mentioned earlier that the Security Team submitted the CAP report to the IRS in October. As part of the CAP report, the agency reviews and updates our GPOs (Group Policy Objects: computer policy settings). Over the last six months, they've added 70 GPOs, in collaboration with ITS, IT Ops, and the Security Program Specialist. They have completed 206 of the needed 246. They're pausing for tax season, but they'll pick up again in July. The IT Ops team completed 143 system access requests (SARs) over this last quarter, and they assumed management of asset management in Luma. That was a huge undertaking, in coordination with the Purchasing Group, to store and track all agency devices. The IT Ops team deployed 192 monitors across the agency and the combined Dev Team closed 229 SQRs over the quarter, 111 of which were planned production maintenance and 34 in unplanned maintenance.

They currently have one vacancy for Software Engineer I (SE I) that will be in recruitment beginning the first week of February. They've recently hired Richard Nanney, SE I, and Matthew Crockett, IT Operations and Support Analyst I. Both have been excellent hires to their respective teams. They promoted Sam Baish from SE I to SE II. He's also been great.

Chairman McCray was excited to learn that the Project Management reporting is now on Tax Insider and asked if an article was published to announce that change. Mr. Joyner said he doesn't believe there was. Chairman McCray asked that an article be published to announce the updated to Tax Insider. He believes that what you don't measure you can't manage. We must make these things visible to people, so they understand the progress we're making and the good work we're doing. He has challenged Jacob Besser, Principal Research Analyst, and he challenges the Operations Leadership Team to help make the information available to the whole agency on an ongoing basis. He's used to monitors throughout the building that anyone can view at any time to see progress. He wants to accomplish the same thing within this organization. He encouraged everyone to think of ways to get that news out or make it accessible to everyone so we can check these reports and get questions answered instead of stewing about why a project isn't being done. He thanked Mr. Joyner for that.

Rhamona Grabenstein, Human Resource Officer

Ms. Grabenstein said we are in constant recruitment mode. There are 23 vacant full-time positions and the fiscal year to date turnover rate is 8.9% as of January 21, 2025. These numbers don't include any temporary employees, whether hired for a seasonal position or a year-round temporary position. She agrees with what Mr. Mascall said earlier that we had a great hiring event for the tax season temporary employees. The Taxpayer Resource Unit (TRU) did a great job advertising the event. She hopes Revenue Operations has enough temporary employees for their staggered starts; they're trying this for the first time this year. They may need to have an additional hiring event to get all the positions filled.

The Agency Human Resource (Agency HR) office has registered for two job fairs in February. One is at Boise State University (BSU), and one is at Northwest Nazarene University (NNU). The leaders with openings have staff attend these job fairs with HR staff to promote the agency and the open positions.

Employees have said they want to develop their careers with the Tax Commission or with the state and they've asked how to do that. The Agency HR is partnering with TRU to develop a series of training classes they hope to roll out in the Spring 2025. They're building computer-based training modules for resume-writing, interview tips and tricks and they'll work on mock interviews to help interested employees develop those skills. The Tax Commission has a dedicated agency trainer working with all the trainers in the units to get everything into Luma so it can be tracked and reviewed.

The agency has remained committed to several initiatives of the strategy process. One of those is the Tax Leadership Series, and the Focus on Leadership. It is partly so successful because the Operational Leadership Team members deliver the six-series sessions. There is a new series beginning for new supervisors in February. It is for those that have been recently promoted or hired into supervisory positions. They've already scheduled sessions for the Field Offices that will begin in May.

The Agency HR has developed training for supervisors explaining how to approve multiple timesheets. This is focused on a more efficient way to approve time sheets and to approve them accurately. As of January 21, 74 of the 95 managers enrolled in the training had completed it. They've been asked to complete it by the end of January because the Agency HR is making changes to how they process payroll. Right now, her team reviews payroll and if any timesheets aren't approved, they contact the employee, the manager, and push them to get timesheets done. Going forward, more responsibility will be on the leaders. During this last pay period, her team only sent communications out to the Operations Leadership Team members to let them know whose timesheets weren't correct. So far, it has processed correctly, and it appears everyone will get paid. She thanked everyone for following up with their managers.

The Division of Human Resources (DHR) designed New Supervisor Orientation materials, for all HR staff to use for new supervisor training. This will promote consistency for Executive Branch agencies. These materials focus on what must be done, not how. The Agency HR team will deliver one module every Thursday for six modules. Existing supervisors who need a refresher, or those about which there may be concerns, are welcome to attend. The first module was on recruitment and selection. Hire to Retire was also a product of past strategy sessions and continues every third Wednesday of every month. They're looking for guest speakers and she thanked Mr. Sailor, Chairman of the Safety and Security Steering Committee and Operations Leadership Team sponsor for coordinating with the Idaho State Police to present a segment on situational awareness in April.

Ms. Grabenstein talked about the requirement that every Tax Commission employee must have a nationwide FBI fingerprint background check completed every five years. Existing employees were checked in 2020, so it's time for every existing employee fingerprinted again in 2025. They're working on a schedule now and coordinating with the Idaho State Police to find out if we can send employees to them. She's also talking to the Idaho Transportation Department because they've purchased a live-scan machine and may be able to help. She will follow up with more information as it becomes available.

Aaron Yost, Governmental Affairs Officer

Mr. Yost said, as the Commission has heard already, the success of the Government Affairs unit is because of the support from every unit and division represented here today, and their newest member, Trisha Thomas, is attending the RO Academy. She's also been collaborating with TRU to compile the historical documents left by their recently retired specialists to create a better database that everyone can use. Truly, their success is because of everyone here today and he thanked them all for their support.

Many Tax Commission leaders supported the Idaho Society of Certified Public Accountants (ISCPA) Fall Tour that happened just before the October Business Meeting. There was great participation and feedback. The Legislative Showcase and the Associated Taxpayer's of Idaho Annual Conference were both in November. All were well attended. For those that participate in these various events, the Tax Commission receives positive feedback. They appreciate the ability to discuss things and have relevant dialogue. The Tax Commission again hosted the annual Multistate Tax Commission Advisory Committee, according to our statutory guidance. This

year was like last year. The feedback from that was, again, that the ISCPA would continue to work on model legislation dealing with partnership audits.

The most exciting news he can talk about is that House Bill 3, our Conformity Bill, was introduced very early in the session this year, made it through both houses very quickly, and while it isn't signed yet, it is on the Governor's desk. It should be signed soon and it's ahead of last year's schedule.

Report on Rules Committees

Mr. Yost said this year, there are two zero-based regulation (ZBR) chapter rewrites, and two rules that were put forward by the legislative review group. The ZBR rewrites are Motor Fuels, and Cigarette and Tobacco. The two additional administrative rules are both in Property Tax. All have been presented to both the Senate and House of Representatives germane committees. The House has submitted their concurrent resolution to adopt, and the Senate has adopted them but has not yet compiled their concurrent resolution. He is monitoring the process and will provide updates when they are available.

They've begun preparing for the next rules that fall within the ZBR review cycle. These will be Sales and Use Tax and Hotel, Motel, and Campground Sales Tax. Those open public meetings won't begin until after the legislature closes for this year. They expect those meetings in May 2025. Commissioner Zwygart asked that Mr. Yost keep the Commissioners informed of the meetings and said that words do matter. Mr. Yost agreed and said that handling a rules review is difficult and requires a great deal of work. He appreciates that and that we are on track for the public negotiated rulemaking season.

The Commission recessed for fifteen minutes.

Chairman McCray reconvened the open public business meeting.

Executive Session

Commissioner Zwygart moved to go into Executive Session with legal counsel pursuant to Idaho Code § 74-206(1)(f) to discuss the status of litigation to which the Commission is a party. Commissioner Woods seconded the motion. Maria Young, Management Assistant, conducted a roll call vote. Commissioner Zwygart, Commissioner Woods, Commissioner Moyle, and Chairman McCray all voted in favor and the motion passed.

Public Session

Chairman McCray reconvened the public session. The Commission met in Executive Session with its legal counsel pursuant to Idaho Code § 74-206(1)(f) to discuss the current status of litigation to which the Commission is a party. No matters requiring a vote of the Commission resulted from the Executive Session.

There was no further business and no public comment. Chairman McCray noted the next Tax Commission business meeting will be on April 29, 2025. Chairman McCray adjourned the meeting.

Maria Young, Secretary

Jeff McCray, Chairman