

**COMMISSIONERS' OPEN MEETING
MINUTES OF MEETING HELD APRIL 4, 2012**

In attendance: Commissioners David Langhorst, Tom Katsilometes, and Richard Jackson; Saul Cohen, Valerie Dilley, Steve Fiscus, Robin O'Neill, Mark Poppler, Liz Rodosovich, Ted Spangler, Randy Tilley, Bill von Tagen, Mike Teller, Doreen Warren; Cynthia Adrian, Alan Dornfest, McLean Russell; George Brown, Chelsea Kidney, Carl Olsson, Erick Shaner, Phil Skinner; Dawn Baltadonis, Nichole Boehland, Rose Calico, Rene Dubois, Gary Smith.

Public Session.

Commissioner Richard Jackson convened the meeting.

Presentation of Certificates of Service.

Roxanne Lopez, Human Resource Officer, acknowledged the employees that were receiving Certificates of Service and stated how much all of their work efforts were appreciated.

Roxanne, with the Commissioners, presented certificates to: Nichole Boehland, Government Liaison Specialists, Tax Discovery Bureau (Audit & Collections) for 10 years of service; Rene Dubois, Technical Records Specialist 1, Central Processing (Revenue Operations) for 15 years of service; and Gary Smith, IT Programmer Analyst (Information Technology) for 20 years of service, with a thank-you letter from the Governor.

The certificates of service for those absent: Glenn Dalton, IT Systems Analyst, County Technical Support (Property Tax) for 5 years of service; Terri DeMond, Technical Records Specialist 1, Income Tax Audit (ITA) (Audit & Collections) for 5 years of service; and Elena Gonzalez, Tax Auditor 3, ITA (Audit & Collections) for 5 years of service will be presented at a later time.

The Commissioners thanked the recipients, noted how their years of service and efforts were commendable, and appreciated. Commissioner Jackson said how pleasing it is each month to see all the years of service from the employees at the agency. The recipients were dismissed and invited to stay for the rest of the meeting.

Administrative Reports.

Public Information Office, Liz Rodosovich.

Liz Rodosovich, Public Information Officer, noted that Larry Gebert from Channel 7 did his annual tax season live interviews from the Tax Commission that morning. There were six interview segments on topics including e-filing, use tax, refunds, and curbside service. Liz thanked Renee Eymann from Strategic Development Services (SDS) for coordinating this effort.

In the first quarter of this year, the number of media inquiries handled by the Public Information Office (PIO) dropped to fewer than half of the 69 contacts made through March of last year. Some of the recent questions received were on tobacco tax, the status of Boise County legislation, the effect of personal income growth on tax revenue, and the amount of overall tax collections.

Next Tuesday, Leslie Jones from PIO and Renee Eymann from SDS will attend an all-day public information exercise sponsored by the Idaho Bureau of Homeland Security. This event is designed to help communications' staff learn how to coordinate information in an emergency.

Public Information is working on several news releases this week and next, to remind people of the filing deadlines for income tax and property tax relief, extensions for filing income tax, and curbside service on April 17. A sign-up sheet will be circulated to commissioners and program managers who want to volunteer to accept tax returns and payments from taxpayers at curbside.

Revenue Operations, Doreen Warren.

Doreen Warren, Division Administrator for Revenue Operations (RO), noted that RO has received 477,100 individual income tax (IIT) returns through March 31. There have been 83%, which came in electronically. Compared to last year, there is a 5% increase in electronic filing. A large incoming paper return rush is expected beginning the week of April 16. Doreen added that 75% of e-filed returns process without manual intervention, while only 45% of paper returns process without manual intervention.

Business income tax (BIT) electronic filing has almost doubled compared to last year. Of the 33,000 BIT returns, 18,323 have come in electronically.

RO has paid more than 255,000 IIT refunds totaling \$139 million. This is over one half of the projected refunds expected to be paid before mid-June. RO still has a lot of work ahead, but is settling into the processing flow.

Larry Gebert was televising from RO that morning with messages relating to income tax processing and use tax.

The annual withholding returns are cleaner than they have been in the past, which is an indication that the agency does enjoy benefits from the employer training completed over the last couple of years.

Commissioner Katsilometes inquired about the large number (55%) of paper returns requiring manual intervention. Doreen noted that many of the paper returns have more math errors in addition to the normal items that are reviewed during processing.

Audit & Collections, Randy Tilley.

Randy Tilley, Division Administrator for Audit & Collections (A/C), noted that the counter visits in Taxpayer Services (TPS) this March were down 88 from last year. In addition, TPS received 14,937 calls in the month of March. There was one individual in TPS that took over 2,900 calls personally. Most of the calls related to "Where's my refund?"

Chairman Langhorst inquired about the 88 fewer counter visits for the month of March. Randy stated that he did not have the actual numbers with him, but would check with Rod Shown in TPS.

Property Tax Division, Steve Fiscus.

Steve Fiscus, Division Administrator for the Property Tax Division (PT), noted the 2012 Budget and Levy Training will be provided on April 30 in Lewiston, May 1 in Coeur d'Alene, May 8 in Idaho Falls, May 9 in Pocatello, and on May 10 in Twin Falls. The morning sessions include all the taxing districts and the afternoons are reserved for county clerks.

The county assessors that provided incomplete five year appraisal plans have been notified of the deficiencies and the proper documentation is trickling in. Three counties were out of compliance with their assessment levels and have been notified of the corrective actions that they will need to accomplish by July.

The Technical Support Bureau (TSB) is preparing for the assessment drive that, for most counties, begins in mid-May.

The consulting appraisers are working with the counties to provide Steve Fiscus with a study of agricultural values for their counties and the process they use to determine the values.

Steve noted that the Summer School preparations are underway.

The deadline for submitting Property Tax Reduction (Circuit Breaker) applications is April 16. As in past years, this will create confusion since income tax returns can be filed on April 17.

Management Services, Mark Poppler.

Mark Poppler, Chief Financial Officer, noted that the Board of Examiners approved an increase in the private vehicle reimbursement rate to the state travel policy at their meeting in February. This change, to be effective July 1, 2012, will allow agencies to reimburse travelers using their own personal vehicles for business at the current IRS rate of 55.5 cents per mile. The current allowable rate is 45.5 cents per mile. The State Tax Commission Travel Policy will be changed and brought before an Open Meeting for official approval in the coming months, once the official minutes of the Board of Examiners are posted on their website.

One of our newer fleet vehicles, purchased less than a year ago, was badly damaged while parked outside the residence of one of our Property Tax consulting appraisers over the week-end of March 24-25. Luckily, no one was injured, and the responsible driver stopped and reported the accident. The vehicle is not totaled, but repairs are estimated at between \$7,000 to \$10,000 dollars. The initial cost to the agency is our \$500 deductible, but Management Services (MS) will see if that can be recouped from the insurance company for the responsible party.

Mark was happy to report that the staffing in MS is back at full strength. Craig Allison has joined the Accounting Department as a financial specialist. He recently completed his accounting degree from Boise State University and is also an active member of the military reserve.

The refund fund is still adequate at the end of March, with approximately \$30,000,000 available. It will reach its low point in the next week or so prior to the big influx of revenue on the April 17 tax due date. Mark did not expect, at this point, to approach the \$10,000,000 level that is the trigger for needing to borrow.

Reports on Rules Committees.

Sales Tax Rules – Committee Chair, McLean Russell.

McLean Russell, the Sales Tax Rules Committee Chair, noted the committee is working out the issues with notifying the public of the committee meetings.

The next committee meeting is on Thursday, April 5 at 1:30 p.m. The committee will begin discussion of necessary rule changes due to new legislation. The Bills signed into law are: House Bill 417 – New sales/use tax exemption on the sale of repair parts installed in aircraft owned by nonresidents; House Bill 361 – Adjustment to existing tax exemption on purchase of trucks and trailers registered in an IRP fleet – a minor change to the evaluation period for determining whether the truck or trailer continues to meet out-of-state mileage requirements; and House Bill 489 – New sales/use tax exemption on free samples of beverages; and general updates to Rule 128, which covers administration of exemption certificates.

Property Tax Rules – Committee Chair, Alan Dornfest.

Alan Dornfest, Property Tax Rules Committee Vice Chair, noted that the Property Tax Rules Committee met on March 27. It was a well-attended meeting with two of the commissioners, staff from the Property Tax Division (PT), at least 18 county assessors, two county clerks, a county

treasurer, representatives from the Idaho Association of Counties (IAC), and several representatives from the land developer business community.

The major points covered at the Property Tax Rules Committee meeting were:

1. HB 519 – the new site improvements exemption. The exemption is retroactive to January 1, 2012, and will need temporary rules. The committee is proposing a May 1 application deadline this year to facilitate applications by taxpayers and assessment process; after this year, applications will be due by April 15 (as provided in a separate statute). Sticking points exist with regard to defining a land developer and conveyance of the land, which results in the loss of exemption. A subcommittee has been set up and will meet tomorrow to try to finalize the temporary rule. Afterwards, the committee will begin working more deliberatively on permanent rules, which will include provisions for tracking the exemption on the abstract and new construction roll. Alan noted that temporary rule will be presented to the Commission at the open meeting on April 10.
2. Legislative update – the committee is in the process of reviewing property tax legislation that passed to determine impact on rules. Alan anticipates having a full report on this by next month.
3. Housekeeping rules: 000 Rule on Authority – adding Code chapters regarding STC authority to promulgate rules – completion by June; 003 – Rule on Administrative Appeals – adding or correcting Idaho Code references with respect to appeals and Property Tax Reduction (PTR); possibly QIE – completion by June.
4. Rule 131 – Ratio Study Procedural Rule – adding reference to the Idaho Association of Assessing Officers (IAAO) Standard to provide clarity on when to use foreclosure- related sales. The draft is being distributed to the assessors for comments and the completion is expected next month.
5. Rule 313 – Assessment of transient personal property – being amended to clarify taxation of such property when it is out of the state for a time during any year. In such a case, it is taxed in Idaho for the remainder of the year, provided that it has not been subject to taxation in the other state. The committee agreed with changes and the rule will be prepared for publication in July or August.
6. Rule 605 – Educational property exemption – this rule deals with leased real and personal property used for this purpose and defines exclusive use, as required by statute. The rule also provides for portions of leased real property to receive the exemption and provides a procedure for leased personal property to apply for and prove exclusive use. The current draft is being sent to the assessors for comments and approval by the committee is expected next month.
7. Rule 714 – Property Tax Deferral – the rule is intended to define “sufficient equity” that is required for the claimant to receive this benefit. Because the statute does not have a definition of this term and it is quite subjective, the committee did not reach consensus on the proposed language. The rule was tabled until June and staff will research the issue, possibly bringing forward a proposal to seek a legislative remedy.
8. Rule 995 – Sales Tax Distribution – the rule is being amended to clarify the Census tables used for determining and updating populations between each decennial census. The new draft language is being distributed to the county clerks, who distribute funds received from the STC. The committee anticipates completion of the rule in May.

9. Rule 217 – Rules pertaining to Market Value – these rules define market value for assessment purposes. The staff is beginning a review to see if reference to uniform standards (USPAP) should be added and if a working definition of actual and functional use can be developed. This has been a long standing concern and should be viewed as a long term rules project, which may not be concluded this year.

Alan noted that the next Property Tax Rules Committee meeting will be on April 24.

Income Tax, Administrative & Enforcement, Kilowatt, Mine License Rules – Committee Chair, Cynthia Adrian.

Cynthia Adrian, Chair for the Income Tax, Administrative & Enforcement, Kilowatt, Mine License Rules Committee, reported that the committee had been waiting for the legislative session to adjourn before scheduling its next meeting. There were still four to six bills waiting for the Governor to sign, but the committee meetings would start next week.

Commissioner Katsilometes noted that due to Senate Bill 1366 there would be additional demand on timing, processes, and schedules for the rules committees' members from several different areas in the agency. The commissioner advised the division administrators, program managers, bureau chiefs, managers, and supervisors to be aware of the increased demands on the members' participation due to the passage of SB 1366.

Chairman Langhorst liked the idea of a check-list, in the committee meeting minutes, to demonstrate formally the consideration of feasibility of the negotiated rule and any other affirmative action on the agency part. Ted Spangler noted the Commission needed to revisit the determination of feasibility in the new law. Ted recommended the rules committee chair work out what the determination of feasibility means, share with it the commissioners, and report it at the open meeting. Discussion followed.

Chairman Langhorst requested Ted Spangler work with the rules committee chairs to work on the process for the agency to adopt. Further discussion continued on the cost of publishing a notice of proposed rule. The additional publication expense resulting from SB 1366 may need to be submitted as a line item in the budget requests.

Business Requiring Vote of the Commission.

Minutes.

Commissioner Katsilometes moved that the minutes of the Open Meeting held on March 14, 2012, be approved and Commissioner Langhorst seconded. There were no comments or amendments. All voted in the affirmative, and the minutes were approved.

Chairman Langhorst welcomed Saul Cohen, the new Interim Tax Policy Manager, to the open meeting.

Public Comments.

There were no more public comments.

Other.

There was no other business.

Recess.

Commissioner Jackson recessed the Public Session for 10 minutes to reconvene for the commissioners to meet with the Commission's legal counsel.

Reconvene Meeting.

Commissioner Jackson reconvened the open meeting. Commissioner Katsilometes moved to amend the agenda and have the executive session moved to begin at 10:15 a.m. Commissioner Langhorst seconded. Commissioners Langhorst, Katsilometes, and Jackson voted in favor by roll call.

Executive Session.

The Commission meet in executive session with its legal counsel pursuant to Idaho Code § 67-2345(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.

Commissioner Jackson declared the Executive Session was ended.

Bill von Tagen, Lead Deputy Attorney General, presented This Day in History.

This Day in History, April 4:

1933 – The dirigible USS Akron crashed in New Jersey.

1949 – The NATO Treaty was signed.

1994 – This was the largest opening day in Yankee Stadium ever.

#1 Song

1964 – The #1 song for the first of five weeks was
“Can't Buy Me Love” by the Beatles.

There being no further business, the meeting adjourned.

Valerie Dilley
Secretary

Richard W. Jackson
Chair