

IDAHO STATE TAX COMMISSION

COMMISSIONERS' OPEN MEETING MINUTES OF MEETING MAY 11, 2016

In attendance: Commissioners Ken A. Roberts, Tom Katsilometes, and Elliot S. Werk; Michael Chakarun, Debbie Coulson, Valerie Dilley, Renee Eymann, Steve Fiscus, Scott Grothe, Chuck Pond, Phil Skinner, Mike Teller, Randy Tilley; Rick Anderson, James Pendergrass, Glenda Smith, Justine Weaver, Don Williams; Mat Cundiff, George Brown, Nathan Nielson, Chris Schrette, Erick Shaner, David Young; Celine Adams, Craig Allison, Courtney Baldwin, David Blatchley, Janice Lambertus, Sharon Matthies, Josh Miller, Liliya Salato, Lisa Schroeder.

Guest: Kay Christensen.

Public Session.

Chairman Ken A. Roberts convened the open meeting and welcomed all those in attendance.

Presentation of Certificates of Service.

James Pendergrass, Performance Development Specialist, in the absence of Roxanne Lopez, Human Resource Officer, acknowledged the employees receiving a Certificate of Service. James stated how much their combined total of 35 years of state service was appreciated.

The Certificate of Service recipients in attendance were: Janice Lambertus, Program Information Coordinator (Revenue Operations), for 5 years of state service; Celin Adams, Project Manager 1 (Revenue Operations), for 30 years of state service and a thank-you letter from the Governor.

The commissioners expressed their congratulations to all the recipients and said how the recipients' combined total of 35 years of dedicated state service was commendable and how the everyday work they do is valued and appreciated.

Special Presentation.

Chairman Roberts presented the certificates of appreciation received from the State Controller's Office (SCO) awarded to the Tax Commission's Management Services staff for the timely submission of their closing packages for the 2016 Comprehensive Annual Financial Report (CAFR). The State Controller Brandon D. Woolf in his letter also extended his gratitude to any other Tax Commission employees that helped with this task.

The Chairman presented SCO certificates of appreciation to the Management Services staff that were in attendance: Glenda Smith, Craig Allison, Dave Blatchley, Joshua Miller, and Liliya Salato, Jim Sereduk, and Kevin Voss. Mark Poppler, Financial Officer, and Patty Hapke, Financial Specialist, were absent and will receive their certificates at a later time.

The Commissioners congratulated all the recipients and stated their own appreciation for all their Management Services staff.

Business Requiring Vote of the Commission.

Minutes: Open Meetings – April 13, 2016.

Commissioner Elliot S. Werk moved that the minutes of the open meetings held on April 13, 2016, be approved. Commissioner Tom Katsilometes seconded. There were no comments or amendments. All voted in the affirmative and the minutes of the open meetings held on April 13, 2016, were approved.

There was no more business requiring a vote of the Commission.

Administrative Reports.

Audit Division, Randy Tilley.

Randy Tilley, Audit Division Administrator, reported that as of May 6, Audit had confirmed 333 fraudulent returns (76 fraud and 257 identity theft) and stopped \$593,897 in fraudulent refunds (\$67,012 fraud and \$526,885 identity theft). The Tax Discovery Bureau (TDB) is getting ready to send follow-up letters to those taxpayers who have not provided identity verification documents within the 90 days provided in the initial request.

The Audit Division has been working with PERSI to help identify taxpayers that qualify for the retirement benefits deductions. PERSI will designate on 1099R statements whether the retirements payments were made from a qualifying account. Income Tax Audit will work with the forms and instructions committee to incorporate the designation into tax year 2016 instructions.

Commissioner Werk inquired if a tax drive temporary employee could assist with the imaging of the documents TDB receives in response to the request letters. Randy noted the skill set requirements needed which are not normally required during the temporary tax drive employees. This could be considered next year and possibly a budget request. Commissioner Katsilometes recommended the Commission, at the next open meeting, address a reduction in the volume of letters being sent.

There were no more questions.

Management Services, Mark Poppler.

Glenda Smith, Principal Financial Specialist, in the absence of Financial Officer Mark Poppler, reported that as of May 11, 2016, the refund fund's beginning balance was \$18 million. Accounting issued \$5 million in refunds and only deposited about \$500,000 into the refund fund that day. Chairman Roberts noted that the cash flow issue needs to be addressed further.

Glenda added that new leased vehicles for the Motor Pool were expected on the first week of June. There will be two Dodge Journeys to replace the Jeep Liberties, and four Chrysler 200LX Sedans to replace the Dodge Avengers. There will be a little shuffling when they get here, then the Motor Pool should settle down for a bit. Commissioner Werk inquired about why the state is leasing vehicles and Glenda noted that the state started leasing due to cash flow issues.

There were no more questions.

Collection Division, Debbie Coulson.

Debbie Coulson, Collection Division Administrator, reported that this fiscal year to date (July 1, 2015 to May 10, 2016) Taxpayer Services received 112,661 and handled 101, 367 calls. The abandoned rate is ten percent. There is a 37.63 percent increase in the number of calls received last week, with 2,721 calls compared to the same week last year of 1,977 calls.

Debbie noted that in Fiscal Year 2015 (FY2015) Collection created 94,078 cases and closed 90,662 cases. While in Fiscal Year 2016 (FY2016), Collection created 69,280 cases to date and closed 80,840 cases to date. Total Recoveries to date are \$98,408,932, and this is \$6.4 million more than last year at this time.

Chairman Roberts requested more research to compare with previous years and expressed an interest in the trends. A brief discussion followed on a comparison with other states.

There were no more questions.

There were no more administrative reports.

Reports on Rules Committees.

[Income Tax, Administration & Enforcement, Kilowatt, Mine License Rules – Committee Chair, Cynthia Adrian.](#)

Michael J. Chakarun, Tax Policy Manager, in the absence of Cynthia Adrian, Income Tax, Administration & Enforcement, Kilowatt, and Mine License Rules Committee Chair, reported that all Income Tax & Administration & Enforcement PARFs have been approved by the Division of Financial Management (DFM.) There are only two negotiated rules—Rules 580 & 582 which deal with financial institutions. The first scheduled rules committee meeting will discuss these rules on June 8, 2016, at 1:30 p.m.

There were no questions.

[Motor and Special Fuels Tax Rules – Committee Chair, Don Williams.](#)

Don Williams, the Motor and Special Fuels Tax Rules Committee Chair, reported that the rules committee is almost done with rulemaking this year. There were six rules presented this year with only one rule being negotiated, Rule 130 – Distributor’s Fuel Tax Reports. The draft for Rule 130 was presented and discussed at the last rules committee meeting on May 10, 2016. The proposed changes in this rule will delete Subsection 130.04, Supplemental Reports, and remove dated material. The comment period for the non-negotiated rules is open until May 25, 2016.

There were no questions.

[Property Tax Rules – Committee Chair, Alan Dornfest.](#)

Rick Anderson, Property Tax Policy Specialist, in the absence of Alan Dornfest, Property Tax Rules Committee Chair, reported that the last Property Tax Rules Committee meeting was held on March 29, 2016. The property tax rules report made at the open meeting on April 13, 2016, contained a description of the 12 rules currently on the table, and still applies as described in the open meeting minutes. The only change is that all of the seven Proposed Administrative Rules Forms have all since been approved. The committee chair has been drafting and refining the drafts of the open rules and has come up with proposed solutions. These solutions will answer questions in the rules and be presented and discussed at the next rules committee meeting on May 12, 2016.

Rick noted that at the June open meeting the Commissioners will entertain a resolution adopting three Temporary Rules; Proposed Temporary Rules 317 and 609 will address the change and the timing of the change to the maximum homeowner’s exemption, and Proposed Temporary Rule 803 will delete the reference to the excess tax deed sale funds as property tax revenue because SB 1347 directs this revenue to the state treasury rather than the county indigent fund.

Commission Katsilometes requested elaboration on the expected participation at the next rules committee meeting on the Urban Renewal rules. Rick responded that HB606 does require amendments or additions to at least four rules dealing with urban renewal administration. The committee chair has drafted language that will spell out the Tax Commission’s role in receiving and

reporting the changes to urban renewal plans and what happens if not received in the plan. A good turnout is expected to help review all of the proposed rules.

There were no more questions.

[Sales & Use Tax Administrative Rules – Committee Chair, Doug Harrie.](#)

Randy Tilley, Audit Division Administrator, reported on behalf of Doug Harrie, Sales and Use Tax Administrative Rules Committee Chair, who was absent.

Randy highlighted the Proposed Sales and Use Tax Rules: Rule 017 – Security for Tax Required. Cigarette Tax: Changes to the rule are to bring the rule into conformance with HB 376 which made changes to the cigarette wholesaler bonding requirements. Rule 107 – Vehicles and Vessels – Gifts, Military Personnel, Nonresident, New Resident, Tax Paid to another State, Sales To Family Members, Sales To American Indians, and Other Exemptions. Changes to the rule are due to HB 348 and adds paddleboards and similar vessels to the list of watercraft that are subject to sales tax when purchased by nonresidents.

Rule 100 – Prescriptions. The rule change is to bring rule in line with HB 075 from the 2015 legislative session and clarifies that prescription eyeglasses and component parts are exempt from sales tax effective July 1, 2015, and prescription contact lenses are exempt effective July 1, 2016. The rules committee is also defining component parts. Rule 096 – Irrigation Equipment and Supplies and Rule 102 – Logging, need to be changed to state that hand tools used directly in the production process of agricultural irrigation and logging are not subject to sales tax regardless of cost. These changes are due to passage of HB 347.

Rule 079 – Production Exemption and Rule 083 – Farming and Ranching, need changes to bring in line with HB 386 and amend the exemption to include the removal of the product from the farms initial storage. Clarification is being made that equipment and supplies used in the performance of a quality control function, that is an integral and necessary step in maintaining specific product standards are included in the production exemption.

Rule 080 – Lumber Manufacturing, Rule 081 – Underground Mining, and Rule 082 – Aboveground, Open Pit, Mining, are each having clarification made that equipment and supplies used in the performance of a quality control function that is an integral and necessary step in maintaining specific product standards are included in the production exemption.

There were no questions.

There were no more rules committee reports.

Other Business.

There was no other business.

Public Comments.

Chairman Roberts asked if the guests in attendance had any comments.

There were no public comments.

Recess.

Chairman Roberts recessed the Public Session for five minutes to reconvene for the commissioners to meet with the Commission’s legal counsel.

Reconvene Meeting.

Chairman Roberts reconvened the open meeting.

Executive Session.

Commissioner Katsilometes moved to go into the 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, in addition to discuss matters which are exempt pursuant to Idaho Code § 74-206(1)(b). Commissioner Werk seconded. A roll call vote was taken by Valerie Dilley, Executive Administrative Assistant. Commissioners Roberts, Katsilometes, and Werk all voted in favor and the motion passed.

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, in addition to discuss matters which are exempt pursuant to Idaho Code § 74-206(1)(b). No matters requiring a vote of the Commission resulted from the executive session.

Public Session.

Chairman Roberts declared the Executive Session ended and returned to the public session.

There being no further business, the meeting adjourned.

Valerie J. Dilley
Secretary

Ken A. Roberts
Chairman