

**IDAHO STATE TAX COMMISSION**  
**COMMISSIONERS' OPEN MEETING**  
**MINUTES OF MEETING HELD JUNE 5, 2013**

In attendance: Commissioners Tom Katsilometes, David Langhorst and Ken Roberts; Michael Chakarun, Debbie Coulson, Valerie Dilley, Steve Fiscus, Roxanne Lopez, Robin O'Neill, Chuck Pond, Mark Poppler, Liz Rodosovich, Randy Tilley, Bill von Tagen, Doreen Warren; George Brown, Chelsea Kidney, Erick Shaner, and Phil Skinner; Cynthia Adrian, Rick Anderson, McLean Russell, Don Williams; Alex Bray, Debbie Brown, Corey Smith, Darlene Snell, Lee Wassmuth. Guest: Richard Budzich, Josh Hauge, Benjamin Davenport.

**Public Session.**

Commissioner David Langhorst convened the open meeting. He opened for a motion to amend the agenda to include Resolution 13-04 on the restructure of the Audits Division and the Collections Division. The resolution was important to appropriately continue the internal administration of essential business processes. Commissioner Tom Katsilometes moved to approve the change in the agenda and Commissioner Ken Roberts seconded the motion. All voted in favor and the motion passed.

**Presentation of Certificates of Service.**

Roxanne Lopez, Human Resources Officer, acknowledged each of the employees that were receiving a Certificate of Service, and stated how much all of their work efforts were appreciated.

The Certificate of Service recipients were: Darlene Snell, Revenue Processing Clerk in Central Processing (Revenue Operations), for 5 years of service; Debbie Brown, Tax Compliance Officer 2 in Field Collections (Audit Division), for 30 years of service and a thank-you letter from the Governor; and Lee Wassmuth, Tax Audit Manager in Sales Tax Audit (Audit Division), for 30 years of service and a thank-you letter from the Governor.

The recipients that were absent were: Jan Barnard, Training Specialist (Property Tax), for 15 years of service; L.D. Ridenour, Tax Auditor 4 in Sales Tax Audit (Audit Division), for 20 years of service and a thank-you letter from the Governor; and Barbara Nichols, Tax Auditor 3 in Income Tax Audit (Audit Division) for 30 years of service and a thank-you letter from the Governor. The absent recipients will have their certificates presented at a later date.

In addition, Anthony Madsen, Tax Auditor 3 in Fuels Tax Audit (Audit Division), Coeur D'Alene Field Office, will have his certificate of service for 10 years of service, given to Mark Stones, Tax Bureau Chief, for presentation at a later date. Tamra Kent, Tax Compliance Officer 2 in Collections (Collections Division), Pocatello Field Office, will have her certificate of service for 10 years of service, given to Debbie Coulson, Collections Division Administrator, for presentation at a later date. LaVar Jolley, Tax Auditor 4 in Income Tax Audit (Audit Division), Idaho Falls Field Office will have his certificate for 30 years of service and a thank-you letter from the Governor given to Debbie Coulson, Collections Division Administrator, for presentation at a later date.

The Commissioners said how the recipients' years of service and efforts were commendable and the everyday work they do is appreciated. Commissioner Langhorst invited all the employees to stay for the meeting and said that they make the Commission look wonderful, and thanked them.

Commissioner Langhorst welcomed guests Benjamin Davenport, Associated Taxpayers of Idaho (ATI), Josh Hauge, Idaho Association of Commerce and Industry (IACI), and Richard Budzich, Division of Financial Management (DFM), and thanked them all for attending the meeting.

### **Business Requiring Vote of the Commission.**

#### Minutes: Open Meeting – May 1, 2013.

Commissioner Katsilometes moved that the minutes of the open meeting held on May 1, 2013, be approved and Commissioner Roberts seconded. There were no comments or amendments. All voted in the affirmative, and the minutes were approved.

#### Resolution 13-04 – Restructure of Audits Division and Collections Division.

Randy Tilley, Audit Division Administrator, presented Resolution 13-04 – Restructure of Audit Division and Collections Division. Randy briefly explained the need for the reconstruction of the Audit and Collections Division and recommended the creation of two new divisions, the Audit Division and the Collections Division.

Commissioner Roberts moved that Resolution 13-04 – Restructure of Audits Division and Collections Division be approved, and Commissioner Katsilometes seconded. There were no further comments or questions. All voted in the affirmative, and the motion passed.

### **Administrative Reports.**

#### Public Information Office, Liz Rodosovich.

Liz Rodosovich, Public Information Officer, noted that Public Information hosted a meeting last week of the Public Information Emergency Response team for Idaho. One of the action items that came from the meeting was for Homeland Security to survey state public information staff for their skillsets, so they know whom to call on in any given emergency.

Leslie Jones was attending a free two-day training session at Gowen Field, focusing on emergency public information management. Renee Eymann had already been through the course.

Meanwhile, the “Guide to Income Tax Withholding” was recently updated on the agency website. Several other website enhancements are in the works, and will be reported as they are completed.

Public Information met with the IRS and learned that their Coeur d’Alene office is closing this month. In addition, the IRS is interested in co-sponsoring a webinar to explain how to navigate both the ISTC and IRS websites. A previous webinar a few years ago was successful.

#### Property Tax, Steve Fiscus.

Steve Fiscus, Property Tax Division Administrator, thanked Liz Rodosovich, Public Information Officer, for Communications’ assistance with eastern Idaho media while Property Tax (PT) is conducting an investigation.

Steve noted that every county had completed getting its assessment lists out last week. Also, there were a few questions on personal property tax being zero for businesses under \$100,000.

#### Legal, Bill von Tagen.

Bill von Tagen, Deputy Attorney General, introduced the new summer externs in Legal, Alex Bray and Corey Smith. Chelsea Kidney, Deputy Attorney General, will be Corey’s supervisor and Phil Skinner, Deputy Attorney General, will be Alex’s supervisor.

Management Services, Mark Poppler.

Mark Poppler, Financial Officer, noted that it was the last month of the fiscal year. The remaining spending forecast will be reviewed at the Executive Leadership Team (ELT) meeting on Thursday, to make any final decisions on this year's spending activities. This means that the new fiscal year is approaching and this week the new budget goes into the new statewide accounting system, STARS. Mark will provide a more detailed spreadsheet to show how the budget is allocated to each program and department. This time of year also means that the next budget cycle is ready to begin and must be completed over the next 3 months. Ideas for major changes or enhancements should be discussed with peers and Commissioners now and then brought forward to the ELT over the next several weeks.

The City of Ketchum Memorandum of Understanding (MOU), officially approved last month by the Commissioners, was presented and approved on May 6, 2013, at the City Council meeting in Ketchum, Idaho. Now that the agreement is final, a working group headed by Renee Marsh of Revenue Operations (RO) is making progress towards implementation of the administrative agreement. Later this week, Renee will meet with representatives from the City to discuss remaining questions and identify any remaining issues to resolve.

Mark was happy to report that the new voluntary employee deduction was ready to go. Over 110 employees have signed up already, and the first withholdings will occur with the payroll of June 21, 2013. Volunteers are being sought to serve both on the Events Steering Committee and for various teams for specific events, notably right now for the summer picnic.

Mark noted that one of the fleet vehicles last month was pulled out of the general Boise fleet and assigned permanently to the new Consulting Appraiser hired in Property Tax. As Mark mentioned last month, this is similar to the arrangements for each of the existing Consulting Appraisers. Such assignments must be officially approved by the Board of Examiners per state policy, and this one was duly approved at their May 21, 2013, meeting.

Revenue Operations, Doreen Warren.

Doreen Warren, Revenue Operations (RO) Division Administrator, reported that refund processing and approval would be completed to ensure timely refunds are paid by June 15, 2013. RO is currently in the best processing position they have experienced in several years. RO's valued temporary tax drive employees have completed or will complete their service by early next week.

In addition to the "normal" income tax return processing, RO is working approximately 600 amended individual income tax returns, cleaning up the employer annual reconciliation returns (most of which were received after the due date), and renewing amusement device accounts.

The GenTax Upgrade project team is making progress to begin the project as soon as they have a signed contract.

Doreen noted that RO would also be moving forward with four other major projects including Ketchum Local Option Tax, E911, Withholding Split-monthly, and Income Tax.

The statewide Spring Tours, with the Commissioners, Randy Tilley, Michael Chakarun, and Doreen will be wrapped up last week. They received good feedback and will share details with the Executive Leadership Team soon.

There were no more administrative reports or questions.

## **Reports on Rules Committees.**

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

Cynthia Adrian, Income Tax, Administration & Enforcement, Kilowatt, Mine License Rules Committee Chair, noted that the last committee meeting was on May 8, 2013. There were nine visitors from the public in attendance.

Rule 805 – Joint Returns, which amends the rule consistent with Idaho Code 63-3031(c), needs to be a statute change, so the committee postponed changing the rule and will submit a legislative proposal. There are no drafts yet and public input is being sought.

A proposal on Rule 33 – American Indians was received from Bill Roden because HCR32 removed subsections 03, 04 & 05 from the rule since 2013. The committee is taking it into consideration. Rule 173 – Idaho Capital Gains Deduction—Pass Through Entities needs to be made consistent with a recent decision that gain from the sale of property by an upper tier partnership is not gain from the sale of the same property to a lower tier partnership. Rule 173 is deferred for further research. The Rule 194 – Health Insurance Costs and Long-Term Care Insurance – Examples of Limitations needs to be amended to conform to federal change. Discussion followed.

The next committee meeting would be on June 12, 2013, at 1:30 p.m.

There were no more questions.

### Sales Tax Administrative Rules – Committee Chair, McLean Russell.

McLean Russell, Sales Tax Administrative Rules Committee Chair, noted that the last committee meeting was on May 22, 2013, and the next meeting will be on June 19, 2013. McLean noted there were 14 visitors from the public at the last meeting to discuss the two diverse positions on the software issues.

McLean highlighted Rule 083 - Farming and Ranching, which clarifies the application of the production exemption to farms that raise animals for the purpose of offering recreational hunts to customers. This will be discussed at the June 19, 2013, meeting.

Commissioners Katsilometes, Langhorst, and Roberts noted that the software issue would continue to be debated for many years.

There were no more 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 committee met on May 1, 2013. The next committee meeting is that afternoon on June 5, 2013.

Don noted that gaseous fuel representatives presented taxation concerns about the conversion on Rule 110 – Calculation of Tax on Gaseous Fuels.

Rule 510 – Application and Reporting of the Petroleum Transfer Fee. An oil recycler presented concerns about reporting requirements, so the committee is talking to the Department of Environmental Quality (DEQ) to see if the rule covers something that is taken care of by that agency.

Rule 115 – When the Gasoline Tax Rate Increases, Use Conversion Factor to Adjust Annual Gaseous Fuels Permit Fees and Rule 290 – Records required For Intrastate Special Fuels Users Claiming Refunds For Nontaxable Special Fuels Used In Motor Vehicles were tabled and the committee will discuss vacating the proposed rules at the next meeting.

There were no more questions.

Property Tax Rules – Committee Vice Chair, Rick Anderson.

Rick Anderson, Property Tax Rules Committee Vice Chair, reported that Alan Dornfest, Property Tax Rules Committee Chair, was absent. Rick reported that the last committee meeting was on May 20, 2013, and the committee will meet again on June 18, 2013.

The property tax rules committee has approximately 11 rules on its agenda. Several of the Rules reflect simple housekeeping changes such as Rule 6, the Incorporation by Reference rule, but there are several that have been worked on for a long time.

At the June 18 meeting, the committee will continue to review Rule 407, which deals with the appeals process for operating property. The subcommittee met several times since February 2013 and did produce a Draft 1, which is now before the whole committee. Rick characterized this work as producing a process that will be more informational and less confrontational.

The committee will continue to work on Rule 626, the personal property tax exemption rule, which also deals with the process that will determine the amount of replacement funds to be paid to the counties and ultimately to all taxing districts. The committee members are also giving examples to help understand what is meant by common enterprise and related taxpayers. They plan to bring Rule 902, the tax notice (bill) rule, before the Commissioners at their July meeting for consideration of the change that will delete the requirement to send tax notices to zero balance personal property taxpayers. Also, Rule 205 dealing with personal property and the three-factor test being predominant in the determination of what is a fixture, which relates back to what property is eligible for the personal property exemption, will be on our next agenda for the first time this year.

Rick noted that Rule 20 deals with the determination of the value to be applied to combined use recreational vehicles for purposes of determining the amount to be paid for vehicle registration. It will cost registration fee payers from \$5 to \$100 per year depending on the value of their recreational vehicle.

Rick added that Alan Dornfest went to the Legislative Council Meeting held last week and is currently drafting a rule to give clarification on what is a fixture.

Commissioner Roberts inquired about personal property tax bills that have a zero tax, and Randy Tilley, Audit Division Administrator, noted that zero tax bills would not be sent. Commissioner Langhorst noted that there is a lot of discussion on the property tax rules.

There were no further questions.

**Other Business.**

Commissioner Langhorst welcomed Debbie Coulson, new Division Administrator for the Collections Division.

Liz Rodosovich, Public Information Officer, reported that Commissioner Ken A. Roberts had been reappointed by the Governor. All in attendance congratulated Commissioner Roberts.

There was no other business.

**Public Comments.**

There were no more public comments.

**Recess.**

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

**Reconvene Meeting.**

Commissioner Langhorst reconvened the open meeting.

**Executive Session.**

Commissioner Katsilometes moved to move into the Executive Session. Commissioner Roberts seconded. Commissioners Katsilometes, Langhorst, and Roberts all voted in favor by roll call and the motion passed.

The Commission met 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.

**Public Session.**

Commissioner Langhorst declared the Executive Session was ended and returned to the public session.

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

This Day in History, June 5:

- 1805 – First tornado documented in southern Illinois
- 1933 – FDR takes the U.S. off of the Gold Standard
- 1944 – Original date for D-Day in World War II, delayed due to weather conditions
- 1967 – Beginning of the Six Day War
- 1968 – Attorney General, Robert Kennedy was assassinated.
- 2004 – President Ronald Reagan died

#1 Song

1957 – “Love Letters in the Sand” sung by Pat Boone

There being no further business, the meeting adjourned.

Valerie Dilley  
Secretary

David L. Langhorst  
Chair