

IDAHO STATE TAX COMMISSION

COMMISSIONERS' OPEN MEETING MINUTES OF MEETING JUNE 6, 2016

In attendance: Commissioners Ken A. Roberts, Tom Katsilometes, Richard W. Jackson, and Elliot S. Werk; Debbie Coulson, Valerie Dilley, Renee Eymann, Steve Fiscus, Scott Grothe, Roxanne Lopez, Chuck Pond, Mark Poppler, Phil Skinner, Mike Teller, Randy Tilley, Doreen Warren; Cynthia Adrian, Rick Anderson, Alan Dornfest, Glenda Smith, Don Williams; Mat Cundiff, George Brown, Becky Ihli, Nathan Nielson, Erick Shaner, David Young; Mary Almadova, Bob Hoy, Kristin Thornton, Joy Wasson.

Guest: Kay Christensen.

Public Session.

Commissioner Tom Katsilometes convened the open meeting and welcomed all those in attendance.

Presentation of Certificates of Service.

Roxanne Lopez, Human Resource Officer, acknowledged the employees receiving a Certificate of Service. Roxanne stated how much their combined total of 50 years of state service was appreciated.

The Certificate of Service recipients in attendance were: Joy Wasson, Account Collection Specialist (Collection Division), for 5 years of state service; Mary Almadova, Program Information Coordinator (Revenue Operations Division), for 15 years of state service; Bob Hoy, Technical Records Specialist 1 (Revenue Operations Division), for 25 years of state service and a thank-you letter from the Governor.

The Certificate of Service recipient not in attendance was: Gina Luckow, Technical Records Specialist 1 (Revenue Operations Division), for 5 years of state service. Gina will receive her certificate at a later time.

The commissioners expressed their congratulations to all the recipients and said how the recipients' combined total of 50 years of dedicated state service was commendable and how the everyday work they do is valued and appreciated.

Business Requiring Vote of the Commission.

Minutes: Open Meetings – May 11, 2016.

Commissioner Elliot S. Werk moved that the minutes of the open meeting held on May 11, 2016, be approved. Chairman Ken A. Roberts seconded. There were no comments or amendments. All voted in the affirmative and the minutes of the open meetings held on May 11, 2016, were approved.

Resolution 16-02 – Property Tax Temporary Rules 317T, 609T and 803T.

Alan Dornfest, Property Tax Policy Bureau Chief, presented Resolution 16-02 – Property Tax Temporary Rules 317T, 609T and 803T, to the commissioners for adoption. Alan noted that it

was necessary to amend certain property tax rules in order to give timely clarification and guidance to county property tax administrators in accordance with the changes to certain statutes in Idaho Code effective this year.

Rule 317T – Occupancy Tax on Newly Constructed Improvements on Real Property: Idaho Code Section 63-602G(1) was amended by House Bill 431 setting the maximum homeowner’s exemption to be the lesser of one hundred thousand dollars or fifty percent of the assessed value, without consideration of any house price index, to become effective July 1, 2016. The change does not affect the regular homeowner’s exemption but does impact qualifying properties subject to occupancy tax beginning July 1, 2016.

Rule 609T – Property Exempt from Taxation – Homestead: Idaho Code Section 63-802(1)e. was amended by House Bill 431 requiring the deletion of the requirement to use the house market price index for value will only impact very few homeowners’ exemptions in 2016 because most will have been granted before the legislation takes effect. However, the amendments are needed to make the rule consistent with the amended statute, which takes effect July 1, 2016, and which changes the homeowner’s exemption limit to \$100,000 as of that date.

Rule 803T – Budget Certification – Dollar Certification Form (L-2 Form): Idaho Code Section 31-808 was amended by Senate Bill 1347 deleting the requirement that counties subtract excess proceeds from tax deed sales from their indigent fund budgets. This rule responds to both the Senate Bill and to HB474, which requires that taxing districts budgeting to recover any forgone budget increase publish a notice of intent to recover the forgone increase, hold a public hearing, and adopt a resolution stating the amount and purpose of the expenditure intended with the forgone increase.

Alan recommended the Commission adopt Resolution 16-02, which makes all three property tax temporary rules effective on July 1, 2016.

Chairman Roberts moved that Resolution 16-02 – Property Tax Temporary Rules 317T, 609T and 803T be adopted, and Commissioner Werk seconded. There were no comments or questions. All voted in the affirmative and Resolution 16-02 – Property Tax Temporary Rules 317T, 609T and 803T was adopted.

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

Administrative Reports.

Audit Division, Randy Tilley.

Randy Tilley, Audit Division Administrator, reported that through June 3, 2016, the Tax Discovery Bureau (TDB) in Audit has confirmed 448 fraudulent returns (170 traditional fraud and 278 identity theft) and stopped \$724,199 fraudulent refunds (\$169,616 traditional and \$554,583 identity theft). The staff has reviewed 7,319 identity verification packets. Approximately 5,000 taxpayers have yet to reply to the request for identity verification. Of that number, approximately 1,000 are beyond the 90 days provided in the original request letter. The follow-up letter is in the final stages of review and Randy hopes to have it ready to send out later this week.

There were no questions.

Management Services, Mark Poppler.

Financial Officer Mark Poppler, reported that with this being the last month of the fiscal year, the Executive Leadership Team (ELT), later this week, will meet to review the remaining spending forecast and make any final decisions on this year’s spending activities. This week the new budget FY2017 goes into the statewide accounting system, STARS. Mark will provide a more detailed spreadsheet in a few weeks to the ELT to show how the Tax Commission’s budget is

allocated to each program and department. Also at this time of year, the next budget cycle for FY2018 is ready to begin and must be completed over the next three months. Any ideas for major changes or enhancements should be discussed with peers and commissioners now and brought forward to the ELT over the next several weeks.

Mark noted that Linda Miller, the Statewide Leasing Manager of the Division of Public Works at the Department of Administration, submitted the Tax Commission's ten-year lease renewal proposal to our landlord agent, Thornton, Oliver, and Keller (TOK), on May 23, 2016. At this time, the landlord and owner are still reviewing the proposal. No significant complications are expected.

On an equally important contract, Mark noted that he, Mike Teller, and the Purchasing staff, have been meeting with the state Division of Purchasing, and Will Rice and Megan Mooney of FAST Enterprises. The separate amendment for the new cashing module has been finalized and signed, while the main amendment for the enhanced maintenance model is expected to be ready and in place by the start of the new fiscal year, July 1, 2016.

Commissioner Werk asked if Mark knew which FAST employees would be assigned to the Tax Commission. Mark responded that FAST is waiting on the signed contract before committing employees.

There were no more questions.

Revenue Operations, Doreen Warren.

Doreen Warren, Revenue Operations Division Administrator, reported that Tax Season is moving along smoothly. Revenue Operations (RO) anticipates meeting their objective to pay timely refunds by mid-June. To date, RO has paid 532,102 refunds totaling \$289,731,601, compared to last year with 500,905 totaling \$263,421,801. RO is working closely with Accounting to ensure funding is available to pay the refunds.

Doreen noted that over the last two weeks, the commissioners, Randy Tilley, Mike Chakarun and she, have been traveling the state to visit with Idaho Society of Certified Public Accountants (ISCAPAs) and the local field offices. The meetings with the ISCAPAs have been very engaging and the team received good information that will be compiled over the next couple of weeks to determine action items. The topics covered include: The Tax Commission's modernization project; Legislative Session Overview; Audit Update; Fraud Update; Security messaging.

The visits with the field offices have also been very educational and productive.

There were no questions.

There were no more administrative reports.

Reports on Rules Committees.

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

Cynthia Adrian, Income Tax, Administration & Enforcement, Kilowatt, and Mine License Rules Committee Chair, reported that the first scheduled rules committee meeting will be on Wednesday, June 8, 2016, at 1:30 p.m. in conference room 1CR5. The rules committee will discuss any income tax rules impacted by the legislative changes.

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 there was no rules committee report this month.

There were no questions.

Property Tax Rules – Committee Chair, Alan Dornfest.

Alan Dornfest, Property Tax Rules Committee Chair, reported that the Property Tax Rules Committee is working on eleven proposed rules and the twelfth has had the PARF sent for approval. The next property tax rules committee meeting will be on June 28, 2016.

The largest rulemaking on the committee's plate this year is on Urban Renewal, with good meetings, though controversial. A presentation was given by the Association of Cities and discussed at the last property tax rules committee meeting on May 12, 2016. Alan noted that the Association of Cities involvement is very active, in response to the Chairman's inquiry. In an effort to receive more response, the rules committee has sent an introductory letter on Urban Renewal to every city in the state.

There were no more questions.

Sales & Use Tax Administrative Rules – Interim Committee Chair, Doug Harrie.

Randy Tilley, Audit Division Administrator, on behalf of Doug Harrie, Sales and Use Tax Administrative Rules Interim Committee Chair, who was absent, noted there was no rules committee report this month.

There were no questions.

There were no more rules committee reports.

Other Business.

There was no other business.

Public Comments.

Commissioner Katsilometes asked if the guests in attendance had any comments.

There were no public comments.

Recess.

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

Reconvene Meeting.

Commissioner Katsilometes reconvened the open meeting.

Executive Session.

Commissioner Werk 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). Chairman Roberts seconded. A roll call vote was taken by Valerie Dilley, Executive Administrative Assistant. Commissioners Roberts, Katsilometes, Jackson, 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.

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

There being no further business, the meeting adjourned.

Valerie J. Dilley
Secretary

Tom Katsilometes
Chair