

**COMMISSIONERS' OPEN MEETING
MINUTES OF MEETING HELD JULY 18, 2012**

In attendance: Commissioners David Langhorst, Tom Katsilometes, Richard Jackson and Ken Roberts; Michael Chakarun, Valerie Dilley, Steve Fiscus, Ted Spangler, Randy Tilley, Bill von Tagen, Mike Teller, Doreen Warren; Cynthia Adrian, Rick Anderson, Alan Dornfest, Cheryl Flinn, McLean Russell, Jim Sereduk, Shelley Sheridan; George Brown, Chelsea Kidney, Carl Olsson, Corey Riley, Erick Shaner, Phil Skinner; Keith Reynolds.

Guests: Rod Tucker, Kristin Jones.

Public Session.

Chairman David Langhorst convened the meeting.

Business Requiring Vote of the Commission.

Resolution 12-02 – Property Tax Temporary Rule 803 – Budget Certification—Dollar Certification Form (L-2 Form).

Alan Dornfest recommended amending Property Tax Rule 803 to provide instructions to implement recently enacted HB 697. The temporary rule is needed to require taxing districts to use up their budget allowance first, before evoking the provision to use additional allowances. This temporary rule will allow them to set up their funds as appropriate.

Commissioner Katsilometes moved that Resolution 12-02 be approved and Commissioner Roberts seconded. There were no further questions or comments. All voted in the affirmative, and Resolution 12-02 was adopted.

Minutes: Open Meetings – June 13, 2012 .

Commissioner Jackson moved that the minutes of the open meeting held on June 13, 2012, be approved, and Commissioner Katsilometes seconded. There were no comments or amendments. All voted in the affirmative, and the minutes were approved.

Presentation of Certificates of Service.

Corey Riley, Human Resource Specialist, noted that Roxanne Lopez, Human Resources Officer, was absent. Corey acknowledged the employees that were receiving a Certificate of Service, and stated how much all of their work efforts were appreciated.

Corey, with the Commissioners, presented certificates to Wanda Smith, Tax Auditor 3, in Sales Tax Audit (Audit & Collections) for 5 years of service; Karen Raygor, Tax Compliance Technician, in Central Collections (Audit & Collections) and Renata Shumway, Technical Records Specialist 1, in Electronic Data Management (Revenue Operations) for 15 years of service; Janice Boyd, Tax Audit Manager in Income Tax Audit (Audit & Collections) and Stephen McCollum, Tax Auditor 3, in Income Tax Audit (Audit & Collections) for 25 years of service with a thank-you letter from the Governor; and Jim Sereduk, Purchasing Agent (Management Services) for 40 years with a thank-you letter from the Governor.

The certificate of service for Aaron Butikofer, Tax Auditor 3, in the Pocatello Field Office (Audit & Collections) for 5 years of service, will be given to Greg Busmann for presentation at a later time.

The Commissioners thanked the recipients, and noted how their years of service and efforts were commendable and appreciated. Chairman Langhorst noted how a lot of the work done by the

agency is misunderstood by the public, but that it is most important that the employees realize they provide all the things that make the state run, for example schools. The recipients were invited to stay for the rest of the meeting.

Doreen Warren announced that Steve Miller, who recently retired after 42 years of service at the Tax Commission, will be presented the Robert E. Beck – Lifetime Achievement Award this October in Rhode Island. This award is given by the Federation of Tax Administrators (FTA) for his uniformity efforts and contributions to Motor Fuels Tax. The commissioners and all those present congratulated Steve on receiving this motor fuel recognition.

Administrative Reports.

Revenue Operations, Doreen Warren.

Doreen Warren, Revenue Operations Division Administrator, noted that members of the Revenue Operations (RO) staff have been meeting with members from Audit and the Tax Discovery Bureau (TDB) to review processing edits for income tax to streamline our processes. They are pushing to get this project wrapped up in the next couple of weeks to allow IT time to start developing the changes needed for the upcoming tax processing season. The objectives RO is striving to achieve are: establish edits that make good business sense; define acceptable throughput with quality results; improve effectiveness of suspicious filer process; determine refund processing standard objective.

Doreen noted that forms are another critical area that must be completed soon. She is meeting with Tax Policy Manager Mike Chakarun and Tax Policy Specialist Cynthia Adrian later today to discuss timelines and needs.

Tax Year 2011 returns processed so far this year were 639,139 current year returns, with 493,504 current year returns requesting refunds. The number of refund returns paid after June 15 was 1,696 (\$7,689.30, or \$4.50 per return). RO's performance measure is to process current year returns without paying interest 99% of the time. This year they achieved 99.7% success, or .3% of the returns were paid interest. Last year, interest was paid on .7% of the returns.

The number of refund returns with letters to taxpayers was 698 (\$3,155.60). Almost half of the returns with paid interest were waiting on taxpayer correspondence before completion could take place.

Property Tax, Steve Fiscus.

Steve Fiscus, Property Tax Administrator, noted that the County Boards of Equalization have adjourned, with two exceptions. Jerome County is waiting to hear one appeal and Ada County is meeting one day to hear exemption requests for two property owners.

Many of the county abstracts of value are in and Property Tax (PT) will present those to the Idaho State Board of Equalization (ISBOE) after it convenes on August 13. The ISBOE will also hear the appeals of value for the public utilities in the state. The PT staff will appear at those hearings to support their valuations of these companies.

The Summer School begins next week in Boise. The class offerings, class size, and number of students are all up this year. There are 211 students registered that are taking 351 seats. The student attendance for 2012 is up from 343 in 2011. The Summer School in 2008 was the largest with 533 in student attendance.

PT has been busy dealing with urban renewal issues to annexations, from tax distributions to anaerobic digesters. Some are crisis, some are situations, but all of the issues are business as usual in the Property Tax Division.

PT is running out of the reduced funds to keep the contractor for the software modernization project on board, although the work is not completed. Steve noted that PT had a discussion with Mark Poppler, in an attempt to secure additional funds, but to no avail. The contractor has been doing wonderful things: establishing framework for the system, providing expertise to move forward, and providing training to staff on these modern technologies. Losing him and retrieving funds later will be a setback due to the training curve to get another contractor familiar with what the current one has done and the agency's system. Steve will pursue this issue when Mark returns.

The conference season is coming up for PT. The Idaho Association of County Treasurers Conference is August 7 – 10 in Lewiston, the Idaho Association of County Clerk's conference is August 21 – 23 in Twin Falls, and the Idaho Association of County Assessors (IACA) Conference is August 27 – 30 in McCall. The commissioners will be attending and speaking at the IACA conference.

Audit & Collections, Randy Tilley.

Randy Tilley, Audit & Collections Division Administrator, noted the Board of Examiners accepted the proposal of the tax liabilities offset for vendors that provide service to state agencies. The Audit & Collections (A/C) staff is working with the Controller's Office and the Department of Labor on this. Suzanne Weddle, Tax Automated Systems Specialist, is putting a proposal together for the Executive Leadership Team (ELT) to review. This proposal will enhance program recoveries.

Reports on Rules Committees.

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

Cynthia Adrian, Committee Chair, gave a monthly report on the Income Tax, Administration & Enforcement, Kilowatt, Mine License Rules Committee. The committee held only one Income Tax Rules Committee meeting, on July 10, since the last open meeting. Three attendees were from the public, with visitors participating by phone.

Cynthia reviewed the status of the rules on the Rules Committee's Report. The new draft on Rule 171 – Idaho Capital Gains Deduction – Qualified Property will be proposed at the next meeting. Both Rule 75 and Rule 253 are updated yearly with current tax brackets and subsections.

Cynthia discussed Rule 291, where HB 582 revises options of pass-through entities, and either a composite return can be filed and the tax paid or backup withholding can be done. There was a suggestion from the public on the possibility of submitting an affidavit when filing a return. That was supported by the practitioners and will be discussed at the next meeting to see if the audit tools are available and if Legal can consider it a viable option. Mike Chakarun added that the mechanism would need to be in place to see if an affidavit was filed, and if not the tax would go back to the entity.

Sales Tax Administrative Rules – Committee Chair, McLean Russell.

McLean Russell, the Sales Tax Rules Committee Chair, reported that the next committee meeting will be on July 25. McLean briefly noted highlights of certain rules. A few of the rules were removed from consideration for submission, such as Rule 130 clarifying Commission policy and procedure regarding temporary seller's permits for promoter-sponsored events. Also, Rule 24 had concerns expressed both internally and externally, so it will not be considered this year.

Commissioner Katsilometes invited the company representatives in attendance to comment on the effects of sampling, although Rule 72 pertained to winetasting. The visitors responded that

they are still working on the effects of use tax on inventory removed from inventory for sampling and will discuss it at the July 25 Rules Committee meeting.

Property Tax Rules – Committee Vice-Chair, Rick Anderson.

Rick Anderson, the Property Tax Rules Committee Vice-Chair, gave the report in the absence of Alan Dornfest, Property Tax Rules Committee Chair. Rick noted that 11 of the 24 Property Tax Rules were approved at the June 20 Rules Committee meeting. Those in attendance consisted of PT personnel, county officials, etc. Rick highlighted several of the rules under consideration, noting their status.

Chairman Langhorst expressed gratitude for the way all the rules are consolidated on one report now, and commended Shelley Sheridan, Rules Coordinator, for putting the report together.

Public Comments.

There were no more public comments.

Other.

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

This Day in History, July 18:

64 A.D. – The great fire that burned Rome.

1588 – Admiral Howard of England defeats the Spanish Armada.

1872 – England introduces the secret ballot.

1938 – Douglas Corrigan arrived in Ireland after leaving New York for California, leading to the phrase “Wrong Way Corrigan.”

1969 – Teddy Kennedy drove off a bridge at Chappaquiddick, Massachusetts and left the scene of the accident.

#1 Song

1960 – “I’m Sorry” sung by Brenda Lee (15 years old).

There was no other business.

Recess.

Chairman Langhorst recessed the Public Session for 10 minutes to reconvene for the commissioners to meet with the Commission’s legal counsel.

Reconvene Meeting.

Chairman Langhorst reconvened the open meeting and welcomed Keith Reynolds, the agency’s Division of Financial Management (DFM) Budget Analyst.

Executive Session.

Commissioner Katsilometes moved to amend the agenda and move into the Executive Session beginning at 9:35 a.m. Commissioner Roberts seconded. Commissioners Langhorst, Katsilometes, Jackson, and Roberts all voted in favor by roll call.

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.

Chairman Langhorst declared the Executive Session was ended.

There being no further business, the meeting adjourned.

Valerie Dilley
Secretary

David Langhorst
Chairman