

IDAHO STATE TAX COMMISSION

COMMISSIONERS' OPEN MEETING MINUTES OF MEETING AUGUST 6, 2014

In attendance: Commissioners Richard W. Jackson, Tom Katsilometes, and Ken A. Roberts; Debbie Coulson, Valerie Dilley, Scott Grothe, Roxanne Lopez, Robin O'Neill, Chuck Pond, Mark Poppler, Liz Rodosovich, Mike Teller, Randy Tilley, Bill von Tagen, Doreen Warren; Cynthia Adrian, Alan Dornfest, McLean Russell, Don Williams; George Brown, Matthew Button, Mat Cundiff, Chelsea Kidney, Erick Shaner, Phil Skinner; Mark Stones, Dwayne Hines, Pam Waters.
Guest: Matthew Warnick.

Public Session.

Chairman Richard W. Jackson convened the open meeting and welcomed all those in attendance. The Chairman noted that the commissioners are down to just three just now and they wished David Langhorst well in all his endeavors.

Presentation of Certificates of Service.

Roxanne Lopez, Human Resources Officer, acknowledged the employees receiving a Certificate of Service, and stated how much their combined 110 years of state service were appreciated.

The only Certificate of Service recipient in attendance was Debbie Coulson, Collections Division Administrator (Collections) for 15 years of state service.

The absent recipients will have their certificates presented at a later date. Their names are: James Harlor, Taxpayer Services Representative, Lewiston Field Office (Collections) for 5 years of state service; Sean Kerr, Tax Auditor 3, (Audit) and Penny McSpadden, Tax Compliance Officer 2, Idaho Falls Field Office (Collections) for 10 years of state service; Janis Ellis, Office Specialist 1, (Revenue Operations) for 25 years of state service and a thank-you letter from the Governor; and James Lane, Tax Auditor 3 (Audit) for 45 years of state service and a thank-you letter from the Governor.

The Commissioners congratulated all the recipients and said how the recipients' 110 years of dedicated state service was commendable and how the everyday work they do is appreciated. Chairman Jackson noted there were over 100 years collectively again, and several started as temporary employees and liked it enough to stay.

Chairman Jackson welcomed the guests and recognized Matthew Warnick, the financial analyst assigned to the Tax Commission from the Division of Financial Management (DFM).

Business Requiring Vote of the Commission.

Minutes: Open Meeting – July 9, 2014.

Commissioner Tom Katsilometes moved that the minutes of the open meetings held on July 9, 2014, be approved. Commissioner Roberts seconded. There were no comments or amendments. All voted in the affirmative, and the minutes of the open meeting on July 9, 2014, were approved.

Resolution 14-05 –2015 Property Tax Red Brackets.

Alan Dornfest, Property Tax Manager, presented Resolution 14-05 – 2015 Property Tax Reduction Brackets and recommended the Commission adopt the resolution. Alan noted that when

there is sufficient change in the federal poverty lines, the Idaho State Tax Commission (ISTC) is required to adjust the income limitations applicable to the “circuit breaker” Property Tax Reduction Program. This resolution provides practicable increments in developing income and tax reduction brackets, in the attached schedule – 2015 Property Tax Reduction Program Income Benefit Brackets.

Commissioner Katsilometes moved that Resolution 14-05 – 2015 Property Tax Red Brackets be adopted, and Commissioner Roberts seconded. There were no comments or questions. All voted in the affirmative, and Resolution 14-05 was adopted.

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

Administrative Reports.

Management Services, Mark Poppler.

Mark Poppler, Financial Officer, presented the administrative report for Management Services (MS). Mark reported that Thursday was the Summer Picnic at Municipal Park from 4:30 p.m. to 8:30 p.m. Mark wanted to take this public opportunity to thank the staff that has helped organize and plan this event, particularly Sherry Briscoe, Rules Coordinator in Tax Policy, for taking the lead. And those who had helped at some time or another on these picnics, know how much work goes into pulling off a successful event. Since this is one of the Tax Commission’s major employee morale building opportunities, the event committee wanted to do it right.

As the conversion to GenTax Version 9 is now imminent, more of the actual timing and conversion details are being finalized. One of the necessary consequences will be the need for Accounting in Management Services (MS) to close the month one day early. This will provide sufficient time for the process to occur and be adequately balanced. That means that the revenue that would normally be received and recorded on August 29 will instead be recorded on September 2. Appropriate notifications to Derek Santos (DFM) and David Fulkerson are being made, as well as to the Idaho Transportation Department (ITD), since the small amount of revenue on the last day of a month is primarily fuels revenue. MS will distribute the fuels recorded on that day as if it had been received in August to make sure they do not have any cash flow issues.

Chairman Jackson noted that the agency stayed on target for the GEM Project (GenTax Version 9 upgrade) and there will be more training offered prior to the conversion. Commissioners Katsilometes and Roberts inquired about the fundraising for the picnic. Commissioner Katsilometes confirmed if there was another venue available for the picnic if it rained. Commissioner Roberts commented on how the fundraising for the picnic helps in covering the expenses.

There were no more questions.

Communications, Liz Rodosovich.

Liz Rodosovich, Public Information Officer, reported that Communications is coordinating the annual conference of the Western States Association of Tax Administrators (WSATA) in Boise from September 7 to September 10. Communications is putting together the final details and anyone who would like to know more can go to <http://tax.idaho.gov/wsata2014/> and see the WSATA agenda and registration information.

Liz noted that Communications is also preparing a newsletter for legislators, to send out by the end of next week. It covers a variety of topics, including rule-making, changes in our strategic plan, results of the tax drive, and much more. The strategic plan is available on the ISTC website, tax.idaho.gov.

Communications is also working with Scott Grothe, our Principal Research Analyst, and Robin O’Neill, Special Projects Manager, to develop a public survey on the effectiveness of the tax

information the Tax Commission provides. Some of the agency's stakeholders will be asked to review the survey before it goes public.

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, noted there was nothing new to report. The next public committee meeting would be on August 20, 2014 when the committee would discuss five negotiated rules.

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 had no further activity since the last open meeting.

There were no questions.

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

McLean Russell, Sales & Use Tax Administrative Rules Committee Chair, reported that the sales and use tax rules committee had four meetings since the last open meeting, including some sub-committee meetings. The next committee meeting is on August 21, 2014.

Proposed Rule 10 – Definitions will be published in the October Bulletin, defining in subsection 04 “contractor improving real property,” and replacing the out-of-date terms “speculation contractor, spec contractor” with the more modern term “speculative builder.” Proposed Rule 24 – Rentals or Leases of Tangible Personal Property will be published in the October Bulletin; this cleans up the descriptions of the two types of leases described in subsection 012, to avoid overlap. Proposed Rule 27 – Computer Equipment, Software, & Data Services addresses changes arising from the passage of House Bill 598 during the 2014 legislative session. The proposed rule will be published in the October Bulletin.

Proposed Rule 49 – Warranties and Service Agreements, clarifies how to tax certain aspects of extended service agreements. Draft 2 will be discussed at the August 21, 2014, rules committee meeting. Proposed Rule 63 – Bad Debts and Repossessions addresses the complicated calculations for a refund of sales tax when a purchaser defaults; this is difficult for taxpayers to navigate and for the Tax Commission to review. This rule will likely be bumped for this year and legislation is a possibility. Rule 100 – Prescriptions, addresses confusion and concerns raised by optometrists and eyeglass/contact sellers related to the taxability of various services when tied to a taxable sale of eyeglasses or contacts. Draft 2 may be discussed in a meeting in August, but it may also get bumped this year.

Rule 102 – Logging, needs to be amended so that materials and equipment used on a tree farm for a purpose other than harvesting can qualify under the production exemption (if the criteria of that exemption are met) but not the logging exemption. Draft 1 will be discussed again in the August 21 committee meeting. Rule 128 – Certificates for Resale and Other Exemption Claims, Draft 1 will be discussed in the August 21 committee meeting. The proposed rule change will require the use of the ST-104- HM or ST-104G for exempt sales of lodging accommodations.

There were no questions.

Property Tax Rules – Committee Chair, Alan Dornfest.

Alan Dornfest, Property Tax Rules Committee Chair, presented the Property Tax Rules Committee report. Alan noted that the last rules committee meeting was on July 22, 2014. There were nineteen rules total, and eight rules were negotiated rules. The committee was not planning on any other meetings until October or November. Alan did not anticipate any of the proposed rules would need a public hearing. Steve Fiscus presented information on the Property Tax proposed rules at the Idaho Association of Counties conferences.

Chairman Jackson discussed Rule 609 – HOE (Homeowners Exemption), which provides for the optional removal of the homeowner exemption if by April 15, the applicant no longer owns the home. This rule impacts the homeowners exemption and there was no homeowner or industry representative in attendance at the meeting. Discussion followed on how public and industry participation is important in the rules process.

There were no questions.

Chairman Jackson noted that the Department of Administration complimented ISTC on its negotiated rulemaking. McLean Russell and Alan Dornfest were both mentioned for what a good job they did this year. The Chairman complimented all the rules chairs and their efforts and stated that this outreach needs to be enhanced.

Matt Warnick, DFM financial analyst, commented that ISTC is making a great effort to include the public. Matt noted that the more the public is included, the more successful the agency will be in the rules process.

There were no other rules committee reports.

Other Business.

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

This Day in History, August 6:

- 258 – St. Sixtus II ends his reign as Catholic Pope
- 523 – St. Hormisdas ends his reign as Catholic Pope
- 768 – Constantine ends his reign as Catholic Pope
- 1787 – Debates begun at the Constitutional Convention in Philadelphia
- 1890 – First use of electric chair in U.S., John Hart, in New York for murder
- 1914 – Austria-Hungary declares war against Russia
- 1914 – Serbia declares war against Germany
- 1945 – Atom bomb dropped on Hiroshima by “Enola Gay”

#1 Songs

1962 – “Breaking Up Is Hard To Do” sung by Neil Sedaka

This Month in History, August:

- August 1 – 1903, First coast-to-coast automobile trip (SF-NY) completed
- August 13 – 1521, Spanish conquerors captured Mexico City from the Aztecs
- August 20 – 1896, Dial telephone patented

August 27 – 1928, Kellogg-Braind Pact, where 60 nations agree to outlaw war

There was no other business.

Public Comments.

There were no public comments.

Recess.

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

Reconvene Meeting.

Chairman Jackson reconvened the open meeting.

Executive Session.

Commissioner Roberts moved to go into the 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. Commissioner Katsilometes seconded. A roll call vote was given by Valerie Dilley, Executive Administrative Assistant. Commissioners Jackson, Katsilometes, and Roberts all voted in favor 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.

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

There being no further business, the meeting adjourned.

Valerie J. Dilley
Secretary

Richard W. Jackson
Chairman