

IDAHO STATE TAX COMMISSION
COMMISSIONERS' OPEN MEETING
MINUTES OF MEETING HELD OCTOBER 10, 2012

In attendance: Commissioners David Langhorst, Tom Katsilometes, and Ken Roberts; Michael Chakarun, Valerie Dilley, Steve Fiscus, Roxanne Lopez, Robin O'Neill, Mark Poppler, Liz Rodosovich, Ted Spangler, Randy Tilley, Bill von Tagen, Doreen Warren; Cynthia Adrian, Rick Anderson, McLean Russell; George Brown, Chelsea Kidney, Carl Olsson, Erick Shaner, and Phil Skinner; Keith Reynolds.

Public Session.

Commissioner Tom Katsilometes convened the open meeting.

Presentation of Certificates of Service.

Roxanne Lopez, Human Resources Officer, noted that all the Certificate of Service recipients were absent and would have their certificates presented at a later date. Roxanne acknowledged the employees that were receiving a Certificate of Service, and stated how much all of their work efforts were appreciated.

The recipients were: Don Curtis, Tax Auditor 3, Sales Tax Audit (Audit & Collections); Maria Nunez, Personnel Technician (Human Resources); Salina Simpson, Tax Compliance Officer 2, Coeur D'Alene Field Office (Audit & Collections); and Sandra Weese, Tax Auditor 2, Coeur D'Alene Field Office (Audit & Collections), will receive certificates for 5 years of service.

Eileen Pryor, Senior IT Database Analyst, Applications (Information Technology); and Jeff Servatius, Geographic Information/Cartography Manager, County Technical Support (Property Tax), will receive certificates for 15 years of service.

Lee Ely, Tax Auditor 3, Coeur D'Alene Field Office (Audit & Collections); and Michael Tobias, Tax Field Office Manager, Idaho Falls Field Office (Audit & Collections), will receive certificates for 25 years of service with a thank-you letter from the Governor.

The Commissioners said how the recipients' years of service and efforts were commendable and appreciated.

Business Requiring Vote of the Commission.

Minutes: Open Meetings – September 5, 2012.

Chairman Langhorst moved that the minutes of the open meeting held on September 5, 2012, be approved, and Commissioner Roberts seconded. There were no comments or amendments. All voted in the affirmative, and the minutes were approved.

Minutes: Idaho State Board of Equalization – August 13, 2012 AM; August 13, 2012 PM; August 15, 2012; and August 27, 2012.

Chairman Langhorst moved that the minutes of the Idaho State Board of Equalization held on August 13, 2012 AM, August 13, 2012 PM, August 15, 2012, and August 27, 2012 be approved, and Commissioner Roberts seconded. There were no comments or amendments. All voted in the affirmative, and the minutes were approved.

Administrative Policy Memorandum No. 13-01– Work Hours, Overtime, Attendance, and Leave Policy.

Roxanne Lopez, Human Resources Officer, recommended the Administrative Policy Memorandum No. 13-01 – Work Hours, Overtime, Attendance, and Leave Policy. The purpose of the policy is to establish consistent standards, expectations, and procedures to manage Tax Commission employees' hours of work, overtime, attendance, and leave that comply with employment and overtime compensation requirements of federal laws, Idaho statute, Rules of the Division of Human Resources and the Fair Labor Standards Act (FLSA).

Chairman Langhorst moved that the Administrative Policy Memorandum No. 13-01 – Work Hours, Overtime, Attendance, and Leave Policy be approved, and Commissioner Roberts seconded. There were no further questions or comments. All voted in the affirmative, and Administrative Policy Memorandum No. 13-01 was adopted.

Administrative Reports.

Audit & Collections, Randy Tilley.

Randy Tilley, Audit & Collections (A&C) Division Administrator, reported that at the end of September 2012, Tax Compliance efforts were \$44,350,028 and costs were \$5,058,464.

The Report of Tax Collection Enforcement Process FY 2013 Year-to –Date read as follows: Recoveries as of September 30, 2012 - \$44,350,028; Year-to-Date Goal - \$48,236,250; Fiscal Goal - \$192,945,000; Costs - \$5,058,464; Year to Date Budget - \$4,540,150; Recoveries Over (Under) Goal – (\$3,886,222); Costs Over (Under) Budget – \$518,314; Recoveries percent Over (Under) Goal – (8.1%); Costs percent Over (Under) Budget – 11.4%; General Fund Revenue (Estimate) – \$31,838,519.

Recoveries through September 30, 2012, were \$44,350,028, which is approximately \$1.5 million more than this time last year.

Revenue Operations, Doreen Warren.

Doreen Warren, Revenue Operations Division Administrator, reported that Revenue Operations is in full gear processing income tax returns coming in for the extended due date.

Mike Chakarun, Cynthia Adrian, and Doreen will be participating in additional outreach opportunities this fall. They will be providing training around the state for the Idaho Society of CPAs, Idaho Association of Tax Consultants, Registered Tax Return Preparers, and the Idaho Association of Public Accountants. They are also conducting training for the La Grande chapter of tax practitioners. The discussion will include new forms and rules, the ISTC proposed legislative package, pass-through withholding requirements, as well as processing tidbits.

Discussion followed on the extended outreach.

Property Tax, Steve Fiscus.

Steve Fiscus, Property Tax Division Administrator, noted that two main issues were brought up at last week's county visits. One issue was the PacifiCorp economic obsolescence case and how it will affect the industries around the counties. The other issue was on the Personal Property Tax Exemption, Idaho Code § 63-602 NN. It was also learned that the Idaho County Treasurer, Sharon Cox, announced that she was retiring at the end of October.

On Monday, Steve met with Shoshone County regarding the net profits of mines. Bob Geddes, former ISTC Chairman, suggested the Operating Property (OPT) staff get up to speed on the mining tax. In addition, Idaho County and Boise County are interested in the mining tax.

The training for the newly elected officials is scheduled on November 12th and 13th in Twin Falls, and on November 15 and 16th in Moscow.

The Property Tax Division (PT) is in full gear with levy approval and the tax drive. They are working with the taxing districts and the county treasurers to get the property tax bills sent out.

There were no more administrative reports.

Reports on Rules Committees.

Sales Tax Administrative Rules – Committee Chair, McLean Russell.

McLean Russell, Sales Tax Administrative Rules Committee Chair, noted that in the Administrative Bulletin published October 3, 2012, the Tax Commission formally proposed nine sales tax rules, two wine tax rules, one cigarette tax rule, and two beer tax rules. Public requests for hearing on any of the proposed rules must be submitted by October 17, 2012. Public comments on any of the proposed rules must be submitted by October 24, 2012.

McLean noted that no responses from the public have been received at this point. In the past month or two, there have been several inquiries about the original Notice of Intent that initiated the negotiated rulemaking back in May. The delay seems a bit odd.

This afternoon, discussion continues in a committee meeting on Proposed Rule 037 – Aircraft and Flying Services. There is a concern from the public about the applicability of the exemption to aircraft used for flights when hired by individuals outside of the public, yet paying market rates. There were no questions.

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 there have been no income tax rules meetings since the last open meeting. The changes to 22 Income Tax Administration Rules and four Administration and Enforcement Rules were published in the October Department of Administration Bulletin. Public comments may be submitted on or before close of business October 24, 2012. There were no questions.

Property Tax Rules – Committee Vice Chair, Rick Anderson.

Rick Anderson, Property Tax Rules Committee Vice Chair, reported in Property Tax Committee Chair Alan Dornfest's absence. Rick noted that the committee completed the review of all the proposed rules that will be presented to the 2013 Legislature. The last task completed was the update to the Unofficial Code and Rules Book, which contains five sections. The first section contains the current rules, and was updated to include the two emergency (temporary) rules, Rule 620, addressing the site improvement exemption, and Rule 803; the second section contains 21 proposed property tax rules.

Rick noted that the Office of Administrative Rules has assigned the property tax rules to five dockets. The greatest interest is Docket 1202, which contains Rule 605 and 620. A public hearing on these two rules will be held by the Commission on Tuesday, November 20, 2012. The Commission has received a letter from Ada County opposing Rule 605, the education exemption rule. To date Rick was not aware of any comments filed pertaining to Rule 620. The deadline for requesting a public hearing on any of the other rules is next Wednesday, October 17, 2012.

Rich added that the next Property Tax Rules Committee meeting, to begin on the 2014 legislative package, is on October 16, 2012, at 9 a.m. in conference room 1CR5, here at the Tax Commission.

Chairman Langhorst noted the Commission wanted to make the rule-making process more transparent and train the public about the process, the value of it, and why the agency goes through the exercise.

Public Comments.

There were no more public comments.

Recess.

Commissioner Katsilometes recessed the Public Session for 10 minutes to reconvene for the commissioners to meet with the Commission's legal counsel.

Reconvene Meeting.

Commissioner Katsilometes reconvened the open meeting.

Executive Session.

Chairman Langhorst moved to move into the Executive Session. Commissioner Roberts seconded. Commissioners Langhorst, Katsilometes, 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 Katsilometes declared the Executive Session was ended, and returned to public session.

Other.

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

This Day in History, October 10:

- 1780 – Great Hurricane on 1780 kills 20,000 to 30,000 in the Caribbean
- 1845 – The Naval School (now called US Naval Academy) opens at Annapolis
- 1877 – General Custer's funeral at West Point
- 1886 – 1st Dinner jacket worn to autumn ball at Tuxedo Park, NY (the tuxedo)
- 1957 – President Eisenhower apologizes to finance minister Ghana, Komla Agbeli Gbedemah, after he is refused service in a Dover, DE restaurant
- 1963 – Treaty banning atmospheric nuclear tests signed by US, UK, USSR

1975 – Liz Taylor’s 6th marriage (re-marries Richard Burton)
1978 – President Carter signs a bill authorizing the Susan B. Anthony dollar
1979 – Panama assumes sovereignty over Canal Area (i.e. Canal Zone)
1985 – Orson Wells, actor (Citizen Kane), dies at 70
1985 – US fighter jets force Egyptian plane carrying hijackers of Italian ship
Achille Lauro to land in Italy, gunmen are placed in custody

#1 Songs

1959 – “Mack the Knife” sung by Bobby Darin
1970 – “Cracklin’ Rosie” sung by Neil Diamond
1972 – “Ben” sung by Michael Jackson
1988 – “Red Red Wine” sung by UB40

Resolution 12-06 – 2013 Stumpage Values.

Rod Brevig, Forest Tax Administrator, presented Resolution 12-06 – 2013 Stumpage Values for approval. Rod noted that the resolution is in accordance with Idaho Code 63-1706 (4) (b) to establish the stumpage values by forest value zone for each species and/or product, for use in the reporting and payment of yield taxes for timber severed during the calendar year of 2013.

Rod reviewed and recommended the 2013 Stumpage Values, noting the values were published in a memorandum dated September 6, 2012, and the Tax Commission accepted both written and oral comments regarding the recommended stumpage values. Discussion followed.

Rod gave an educational presentation for the Commission and other interested parties on Forest Land Taxation. Ted Spangler noted that due to Rod’s credit, the industry has not contested the values over the last years. Rod’s expertise in stumpage contributes to the issue being more equitable and fair. Discussion followed.

Commissioner Roberts moved that the Resolution 12-06 – 2013 Stumpage Values be approved, and Chairman Langhorst seconded. There were no further questions or comments. All voted in the affirmative, and Resolution 12-06 was adopted.

There being no further business, the meeting adjourned.

Valerie Dilley
Secretary

Tom Katsilometes
Commissioner