

IDAHO STATE TAX COMMISSION

COMMISSIONERS' OPEN MEETING MINUTES OF MEETING NOVEMBER 2, 2016

In attendance: Commissioners Ken A. Roberts, Richard W. Jackson, and Elliot S. Werk; Debbie Coulson, Michael Chakarun, James Pendergrass, Sherry Briscoe, Chuck Pond, Glenda Smith, Mike Teller, Doreen Warren, Cynthia Adrian, Don Williams, Mark Poppler, Steve Fiscus, Robin O'Neill, Randy Tilley, John Bernasconi, Don Anderson, Phil Skinner, George Brown, Erick Shaner, David Young, Nathan Nielson, Becky Ihli, and Kelly Martinez.

Guests: Miguel Legarreta and Benn Brocksome

Public Session

Commissioner Richard W. Jackson convened the open meeting and welcomed all those in attendance.

Presentation of Certificates of Service

James Pendergrass, Performance Development Specialist, acknowledged the employees receiving a Certificate of Service. Mr. Pendergrass stated how much their combined total of 110 years of state service was appreciated. The Certificate of Service recipients in attendance were: Dawn Baltadonis, Tax Audit Manager, Audit Division – 10 years; Carol (Cappie) Pentzer, Office Specialist 2, Collection Division – 10 years; Gary Kenley, IT Programmer Analyst, Property Tax Division – 15 years; Clara Maretka, Tax Auditor 3, Audit Division – 20 years, along with a thank you letter from the Governor; and Lisa Denmark, Tax Auditor 3, Audit Division – 25 years, along with a thank you letter from the Governor.

The Certificate of Service recipients not in attendance were Janis Fozzard, Tax Compliance Officer 2, Collection Division, CDA Field Office - 5 years; Wesley (Wes) Vinsonhaler, Tax Compliance Officer 2, Collection Division – 10 years; and Krystal Skinkle, Tax Auditor 3, Audit Division – 15 years. They will receive their certificates at a later time.

The Commissioners expressed their congratulations to all the recipients and fellow employees who came out to support them, and how much they appreciate all their hard work.

Business Requiring Vote of the Commission

Minutes: Open Meeting – October 5, 2016.

Commissioner Werk moved that the minutes of the open meeting held on October 5, 2016, be approved. Commissioner Roberts seconded. There were no comments or amendments. All voted in the affirmative and the minutes of the open meeting held on October 5, 2016 were approved.

Resolution 16-07 ISTC 2017 Proposed Rules

Cynthia Adrian presented Resolution 16-07 ISTC 2017 Proposed Rules. Ms. Adrian said these are the proposed rules that will be sent to the Legislature this year with one correction on the motor fuels tax rules on Docket No. 35-0105-1601 Rule 004. When that rule was originally published, there were some incorrect dates that have since been corrected. She asked that they be

approved as amended, and they will be published in the December bulletin. Commissioner Roberts moved to approve Resolution 16-07 adopting the Idaho State Tax Commission 2017 Proposed Rules, and Commissioner Werk seconded the motion. All voted in the affirmative and Resolution 16-07 was adopted.

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

Administrative Reports

Audit Division, Randy Tilley

Randy Tilley had no report at this time.

There were no questions.

Management Services, Mark Poppler

Mr. Poppler reported that the first quarter of revenue shares were paid in October and \$28,360,000 was split in half between the counties and cities. The reason he is reporting on this is that there is a new statute that was passed by the Legislature last year that all of the tax entities had to report to Legislative Services and if they didn't, then their revenue shares portion would be withheld and placed into a separate fund until they come into compliance. A month ago there were a half of a dozen or so that were not in compliance, and now the City of Oxford is the only entity not in compliance, so \$509.49 was withheld. Once Oxford is in compliance, the funds will be released on the next quarterly distribution. Commissioner Roberts said those were the local districts that had a portion of revenue sharing; do we have any indication on how many municipalities had a filing requirement that don't have revenue sharing that did not file? Mr. Poppler said he does not have that information this morning; however he will provide it to the Commissioners at a later time. Commissioner Roberts said the reason he asked that is because there are a number of taxing districts that do not receive revenue sharing funds, but are also included in that legislation. Mr. Poppler discussed the Statewide Cost Allocation Program Cap adjustment to our budget and there was a large bump in the cost of risk insurance that was part of that adjustment. The cost jumped from \$18,000 to \$58,000 because the state has adopted cyber security insurance. The state overall is paying approximately \$1 million for cyber insurance beginning July 1, 2017, and our portion accounts for the jump in our billing. Mr. Poppler said the information he has received on that is that the state now has a policy of up to \$25 million per event with a \$10,000 deductible. Commissioner Roberts asked if that is an annual cost and Mr. Poppler said it is. Commissioner Werk asked what our actual premium is for that piece and it was reported that \$38,000 is our portion. Mr. Poppler also reported that he received a letter on Monday announcing that JFAC budget presentations are going to be significantly different this year, and further information will be coming. It is his understanding that the agency presentations as we have seen them in the past are not going to be done the same way this year. Agencies will still go before JFAC and have a few minutes to talk in generalities about what is going on in the agency; however it sounds like the focus will be on explaining your actual spending versus your budget.

There were no further questions.

Revenue Operations, John Bernasconi

Mr. Bernasconi reported that this is a very busy time and there is a lot going on in Revenue Operations during the last quarter of the year. All mail was opened and the revenue was deposited on time. We still have approximately 10,000 income tax returns left to image, which should be completed by early next week. We also still have four temporaries on board to help with the workload: two in IDM for data entry and two for error correction in Taxpayer Accounting. Mr. Bernasconi also reported that the Individual Income Tax (IIT) electronically filed returns are up 5.7% over last year. (Based on past years, we expected around a 4% increase.) Of the

approximately 835,000 IIT returns received, 83% are filed electronically. The total returns received to date (electronic and paper) are about 3.5% higher than last year. The Business Income Tax (BIT) electronically filed returns continue to increase. Overall, we have seen a 10% increase this year. October is traditionally the month that we see the really large paper BIT returns that come in *multiple boxes*; however, we've had very few that arrived in multiple boxes this year, which saves us time in the imaging area. Of the approximately 98,000 BIT returns received, 64% are filed electronically. We are also busy with updating our income tax processing system for tax year 2016. Testing is underway, and we have already started posting 2016 tax forms on our website. Mr. Bernasconi said other miscellaneous items that Revenue Operations is working on are filing cycle analysis letters for permit based accounts – Approximately 13,000 letters will be mailed in early November as well as IFTA License Renewals – renewals will be mailed around mid-November. Commissioner Roberts said concerning the BIT returns being filed electronically, we have accepted electronic filings from individuals longer than we have been accepting business returns and he asked how long we have accepted electronic business filings. Doreen Warren said we have accepted them since 2008.

There were no further questions.

Tax Division Administrator, County Support, Steve Fiscus

Steve Fiscus had no report at this time.

There were no questions.

Collection, Debbie Coulson

Debbie Coulson had no report at this time.

There were no questions.

Public Information Director, Taxpayer Resources, Doreen Warren

Ms. Warren said our new unit continues to merge into single unit after merging three separate units into one and they are currently gearing up for legislative and tax season. The tax professional fall training is in progress, to date the training team consisting of Michael Chakarun from Appeals, Chris Barry from Revenue Operations, and Ms. Warren have traveled the state and conducted seven out of the ten scheduled sessions and have visited over 250 tax professionals. The topics covered this year included: 2016 legislative update, 2017 proposed legislative package, rules and forms for the upcoming session, processing update including the top review items that practitioners should be aware of, taxpayer resources overview and initiatives, and the tax professional responsibility regarding safeguarding taxpayer data. They also covered an appeals overview and the top audit issues. The remaining three sessions will be conducted between today and December 16.

There were no questions.

Tax Appeals Manager, Mike Chakarun

Mike Chakarun had no report at this time.

There were no questions.

There were no more administrative reports.

Reports on Rules Committees

Income Tax Rules Committee Chair, Cynthia Adrian

Cynthia Adrian had no report at this time.

There were no questions.

Property Tax Rules – Committee Chair, Alan Dornfest

Rick Anderson, Property Tax Policy Specialist, was present in the absence of Alan Dornfest, Property Tax Rules Committee Chair, and said they will have their first meeting of the season on November 15, 2016.

There were no more questions.

Product Tax Rules Committee Chair, Don Williams

Don Williams had no report at this time.

There were no questions.

There were no more rules committee reports.

Other Business

There were no items of other business.

Public Comments

Commissioner Jackson asked if the guests in attendance had any comments. Associated Taxpayers of Idaho President Miguel Legarreta said the 70th Annual ATI Conference will be held November 30, 2016 and all are welcome to attend. He said Commissioner Ken Roberts has agreed to be on a discussion panel as well. Commissioner Jackson thanked Mr. Legarreta for allowing the Tax Commission to add an insert into the conference program, which made our operations more efficient and we appreciate that.

There were no other public comments.

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. A roll call vote was taken by Kelly Martinez, Administrative Assistant and Commissioners Roberts, 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. No matters requiring a vote of the Commission resulted from the Executive Session.

Public Session

Commissioner Jackson declared the Executive Session ended and returned to the public session. There being no further business, Commissioner Werk moved to adjourn the meeting, and Commissioner Roberts seconded the motion. All voted in the affirmative and the meeting was adjourned.

Kelly Martinez

Richard W. Jackson