IDAHO STATE TAX COMMISSION'S 2015 ANNUAL MEETING

MINUTES OF MEETING HELD DECEMBER 8, 2015

In attendance: Commissioners Tom Katsilometes, Ken A. Roberts, and Elliot S. Werk; Michael Chakarun, Debbie Coulson, Valerie Dilley, Steve Fiscus, Scott Grothe, Robin O'Neill, Chuck Pond, Mark Poppler, Renee Eymann, Phil Skinner, Michael Teller, Doreen Warren; Cheryl Flinn, Diane Griffitts, Tim Hurst, Leslie Jones, Dave Noland.

Guests: *(Names provided on attached sign-up sheets.)*

Welcome/Introductions.

Commissioner Tom Katsilometes opened the meeting. The Commissioner welcomed the guests and thanked them for attending the Idaho State Tax Commission's 2015 Annual Meeting. Commissioner Katsilometes noted that the ISTC Annual Meeting was being live-streamed by Idaho Public Television and welcomed those viewing the meeting online.

Commissioner Katsilometes introduced Commissioner Ken A. Roberts, and Commissioner Elliot S. Werk. Chairman Richard W. Jackson was noted as absent while representing Idaho at the Multistate Tax Commission in South Carolina. Commissioner Katsilometes also acknowledged the presence of the ISTC Executive Leadership Team (ELT).

The Commissioner thanked the Idaho Society of Certified Public Accountants (ISCPA) and Melissa Nelson for the refreshments provided later during the recess.

Commissioner Katsilometes reviewed the meeting's agenda and read the agency's mission and vision statements. ISTC Mission: To administer the state's tax laws in a fair, timely, and cost-effective manner to benefit all Idaho citizens. ISTC Vision: The Tax Commission will inspire public confidence through innovative service delivery, courteous professional conduct, effective education, and fairness in tax administration.

Commissioner Katsilometes then introduced Commissioner Werk for the presentation on Customer Service.

Customer Service.

Commissioner Werk discussed customer service at the Idaho State Tax Commission (Tax Commission). First, it is the agency's goal to provide outstanding service to every customer every day. Second, customer service is integrated into our culture and third, the Tax Commission believes that security is customer service.

Commissioner Werk reviewed the customer service statistics for 2015, noting that the tax transactions included tax returns, payments, & license applications. In 2015 the Tax Commission served more than 132,000 taxpayers (phone calls & walk-in traffic) (year to date), processed more than 2.4 million tax transactions (fiscal year), issued $350 million in income tax refunds (fiscal year), and stopped 1,170 fraudulent returns and kept more than $1.7 million from being refunded to criminals (year to date).

Other accomplishments in 2015 include the consolidation of the Idaho Taxpayer Bill of Rights, along with other rights in Idaho Code, into the Idaho Taxpayer Rights Brochure, available on the agency website and in Tax Commission offices. The Taxpayer Access Point (TAP), a vision of the agency for the last 7 years, was introduced in 2015. TAP is the online customer service portal for taxpayers to file and pay taxes and manage their accounts. Taxpayers can e-file most permit-based taxes, make electronic payments, validate permits, request a payment agreement (for those who qualify), request changes to update their name and/or address information, print copies of certain filed returns, and view and print certain letters sent to them from the Tax Commission. The security controls in TAP require 2-factor authentication, strong passwords, masking sensitive information on the screen, and verification letters.

Commissioner Werk noted that new enhanced taxpayer verification procedures were a part of the agency viewing security as customer service. The Tax Commission must protect sensitive taxpayer information. Taxpayers who request their personal information must now validate their identity with up to four pieces of data before we release information to them. In addition, agency computer systems are updated, and the Tax Commission is a member of the Governor's Cybersecurity Task Force.

Commissioner Werk then introduced Doreen Warren, Revenue Operations Division Administrator.

Impact of Fraud.

Ms. Doreen Warren discussed the current trends in fraud and its impact on tax administration. Identity theft involves a victim who needs guidance through the process, and traditional fraud involves the use of stolen IDs, but does not involve an Idaho taxpayer. Criminals have become very persistent and fraudulent tax returns are received beyond the April due date. There were 9,000 tax returns identified as suspicious in 2015. After review, 618 returns were found to be traditional fraud (897 returns in 2014), and 552 returns were identity theft (219 returns in 2014). Ms. Warren noted that since it takes longer to process certain returns, the taxpayer should allow extra time to process returns.

The increase in fraud prevention efforts this year also affected the processing of returns that did not flag as suspicious, since the same resources are used to review both. The impact of fraud on administering tax not only delays the processing of tax returns with refunds, but non-refund returns, such as when taxpayer inquiries are received regarding balance due to set up payment in collection activities. Also, there were 2,000 nonfiler cases not worked in 2015 (a potential revenue loss of $4 million), due to the need for increased assistance for taxpayers victimized by identity theft and fraud.

The Tax Commission has provided resources on the agency website under Quick Picks for identity theft victims. These include the Idaho reporting requirements, IRS Form 14039 – Identity Theft Affidavit, along with other publications and next steps.

The Tax Commission is using improved fraud detection tools and an upgraded identity verification process for processing in 2016. Also, the agency is participating in national fraud detection/protection efforts.

Ms. Warren introduced the next presenter, Commissioner Ken A. Roberts to discuss the Tax Commission's customer service plans.

Customer Service Plans.

Commissioner Roberts discussed the Tax Commission's customer service plans. The Commissioner noted how the agency continues to use data-informed decisions. The data will shape decisions on resources, communications, laws and rules, and forms and instruction. The data is used for both internal and external applications and to assist with education and voluntary compliance.

Commissioner Roberts briefly discussed the Tax Commission's Fiscal Year 2017 Budget Request, that includes three customer service related items. The first item is the GenTax (processing software) enhanced maintenance, to receive security upgrades and keep current with national standards. The second item is for eight positions, with six used for tax fraud/identity theft and two for tax policy administration. The third item is for ongoing funding for fraud detection tools.

The Tax Commission's top legislative priority for the 2016 legislative session is the early passage of the annual conformity bill – the bill to conform to the Internal Revenue Code.

Commissioner Roberts, in closing, presented a customer service summary, and noted that more details could be seen in the Tax Commission's 2015 Annual Report, available on the agency website.

Recess.

Commissioner Roberts then announced a recess to break for refreshments provided by the Idaho Society of Certified Public Accountants (ISCPA). Following the recess, there would be a panel discussion on "Customer Service." The panel would also take questions from the audience during the meeting.

The meeting was recessed for a ten-minute break for refreshments.

Reconvene Meeting.

Commissioner Katsilometes reconvened the meeting and again thanked Ms. Melissa Nelson and the ISCPA for providing the refreshments. Those in the audience were reminded to raise their hands and use the comment cards for the open questions section of the meeting.

Commissioner Katsilometes introduced Steve Fiscus, Property Tax Division Administrator, to moderate the panel discussion on "Customer Service."

Discussion Panel on Customer Service.

Mr. Steve Fiscus introduced the panel members: Representative Robert Anderst, Idaho House of Representatives; Senator Dan Johnson, Idaho Senate; Tawnya Nyman, MSAT, CPA, Nichols Accounting Group; Commissioner Ken A. Roberts, Idaho State Tax Commission; and Commissioner Elliot S. Werk, Idaho State Tax Commission.

Mr. Fiscus moderated the panel discussion on "Customer Service." The panel spoke on the subjects if security is customer service, if there was a balance for good customer service on being too strict or too loose with taxpayers' information, and what kind of customer service would they

like to see from the Tax Commission. Discussions followed. In addition, the panel noted that the Tax Commission is doing the best job they can to offer good customer service and to stop fraud and identity theft in Idaho with the resources they have available.

Mr. Fiscus concluded the panel discussion and opened the panel to the question and answer session.

Question and Answer Session.

The panel responded to the various questions submitted by those in the audience. Comments included the importance of security, courteous and consistent customer service, education and information for taxpayers, the importance of monitoring credit cards, credit reports, and bank accounts. Concluding comments noted the recognition of the Tax Commission's commitment to their mission and to transparency, and the professional assistance the staff provides.

Adjourn.

Commissioner Katsilometes again thanked everyone for attending or viewing online and invited those in attendance to mingle after the meeting to ask any further questions of the Commissioners. The video of the 2015 Annual Meeting would be archived on the Tax Commission's website for future viewing.

There being no further business, the meeting adjourned.

Valerie J. Dilley	Tom Katsilometes
Secretary	Commissioner, Chair