

# **Idaho State Tax Commission 2013 Annual Meeting**

December 10, 2013

# Welcome and Introductions

Commissioner Tom Katsilometes

# Year in Review

Commissioner David R. Langhorst

# FY2013 Annual Report

¢ents and Sensibility || the dual roles of a tax agency

*Fairness*

Laws & rules

*Transparency*

Confidentiality

*Collaboration*

Enforcement

*Education*

Revenue

*Responsiveness*

Policies

*Partnership*

Compliance

**IDAHO**  
State Tax Commission

**2013 Annual Report**

# Year in Review

- 2013 legislation presented some challenges:
  - Personal property tax
  - Cloud computing
- GenTax upgrade (GEM project)
- Audit/Collections division split

# Cents and Sensibility – The Dual Roles of a Tax Agency

“A Delicate Balance”: Tax Commission Direction, 2008-2013

2008-2009      **Focus on “Core Mission”**

2009-2011      **“Tax Gap” Initiative**

2011-2013      **Building Public Confidence**



- Public Involvement
- Transparency
- Outreach and Engagement
- Office of Performance Evaluations study on Taxpayer Advocacy

# Looking to the Future

Commissioner Ken A. Roberts

# The Future at the Idaho State Tax Commission (ISTC)

## We will cover....

- Why property tax software modernization is needed
- Why modern tax policy development and evaluation is necessary
- How ISTC has responded and continues to respond to Office of Performance Evaluations report
- The changing ISTC business plan and taxpayer services
- Why ISTC must stay current with modern technology

# Property Tax Software Modernization

- Current property tax system is 34 years old.
- Difficult to find programmers familiar with the current system's programming code.
- Need a more flexible framework for enhancements and legislative changes.
- Will use a Web-based platform that will allow easy data sharing with other agencies.

# Current System

- Have to manually move around with F-Keys.
- Screens are locked; cannot expand or move.
- Cannot pull in photos.

```

12/05/13          PM0100 - PARCEL MASTER INQUIRY          13:52:40
PARCEL:  RP A17000010080 A          F9=MS          F14=HO
                                F17=DD F19=SP
                                LEGAL DESCRIPTION
MCGEE, LAWRENCE A          OROFINO RIVERSIDE SUBD
& MCGEE, DWIGHT          SEC 1 36N 1E
                                PT GOV LOT 13, LOT 8
                                ProVal Area Number 1
PO BOX 1327          CODE AREA 1-0005  OWNER CD
                                PARC TYPE          LOC CODE 5401
                                EFFDATE 1251982  EXPDATE
OROFINO          ID 83544-1327          PREV PARCEL
10418          HIGHWAY 12          83544

CAT/ST# RY    QUANTITY  UN    VALUE    HO MRKT    HO EXMP    CB MRKT    OTHER
20 1 2012      100   AC    16931    16931     8466
21 1 2012      86    AC    14560
41 1 2012      76088 76088    38044
42 1 2012      62000
TOTALS          186    288654    93019    46510
                                ENTER NEXT PARCEL NUMBER RP A
FKeys:  F2=TX  F3=Exit  F5=SS  F6=NM  F7=LG
        F8=CT  F13=TM  F18=HS  F20=Srch F22=EU
    
```

# New System

- Mouse driven; point and click. (No F-Keys)
- Screens can expand to show all data. (Allows user to scroll up and down.)
- Pop-up screens can be resized and moved around so they don't cover information below them.
- Can add photos and maps to the screen.
- More user-friendly for county personnel and taxpayer.
- Will allow electronic assessment notices and tax bills.

# New System

Assessor Admin Treasurer Clerk GIS Public About Log Out

## Parcel Details

- ▶ All Legal Parties 2
- ▶ Legal Description
- ▶ Parcel Comments 5
- ▶ Related Parcels 1
- ▶ Taxes Due
- ▶ Summary

## Parcel Functions

- ▶ Order Reports
- ▶ Set Code Area
- ▶ Set Location Code
- ▶ Set Owner Code
- ▶ Set Parcel Type
- ▶ Terminate Parcel

## Parcel Records

- ▶ Deed References 1
- ▶ Personal Property 1
- ▶ Special Func. Fields 1
- ▶ Specials 4
- ▶ Urban Renewal 3

## Parcel Exemptions

- ▶ Homeowner Exemption
- ▶ Market Adjustments 3
- ▶ Property Tax Reduction

## Category Values

- ▶ Work In Progress
- ▶ Certified Values

**RPA17000010080**

**Status: Active**

Parcel: RP  A   
« RP37N02E327800

### Primary Party:

MCGEE, DWIGHT

### Legal Description:

OROFINO RIVERSIDE SUBD SEC 1 36N 1E PT GOV  
LOT 13, LOT 8

### Mailing Address:

PO BOX 1327 OROFINO, ID 83544-1327

Code Area: 91-0000 Owner Code: —

### Situs Address:

10418 HIGHWAY 12 , OROFINO, ID 83544

Parcel Type: AM Loc. Code: 0121

Effective: 08/20/2013 Exp. Date: 12/31/9999

Cat	ExtID	RY	Quantity	Unit	Value	HO Market	HO Exempt	PTR Market	Other Mkt Adj	
20	R01	2012	0.100	AC	16,931	16,931	8,466	0	15	Edit
21	R01	2012	0.086	AC	14,560	0	0	0	50	Edit
41	R01	2012	0.000		76,088	76,088	38,044	0	20,000	Edit
42	R01	2012	0.000		119,075	0	0	0	0	Edit
<b>Subtotals</b>			<b>0.186</b>		<b>226,654</b>	<b>93,019</b>	<b>46,510</b>	<b>0</b>	<b>20,065</b>	

### Photo



### Map



# Tax Policy

## Development and Evaluation

- Simplify Idaho tax law for taxpayers
- Coordinate new legislation with existing laws
- Review proposed legislation for administration
- Research tax policy options
- Evaluate how Idaho's tax structure accommodates modern financial transactions

# Office of Performance Evaluations

## Recommendations

1. Develop comprehensive taxpayer rights publication  
**ACTION:** *In process*
2. Develop Web page dedicated to taxpayer rights  
**ACTION:** *Web page now available at [tax.idaho.gov](http://tax.idaho.gov)*
3. Improve data management to help guide agency decisions  
**ACTION:** *Hired research analyst to analyze and compile data for agency decision-making*

# ISTC Business Plan

- Using data from Secretary of State to provide information to new businesses
- Providing tax guidance papers to industries
- Updating brochures to be more user-friendly
- Customer-focused orientation

# Taxpayer Online Services

- Citizens and businesses will have greater access to control their own accounts
- Provide secure access from any device, anywhere, at any time
- Ability to:
  - Check refund status
  - Initiate payment agreements
  - Change addresses
  - Cancel accounts
  - View and verify account information, payment and filing history

# Staying Current with Technology

- Cost of Complexity – Technology that is beyond our control changes very quickly
- Cost of Personnel – Recruiting and retaining skilled personnel is critical
- Cost of Security – “Hacking” gets more sophisticated every day

# Fraud Detection

- Fraudulent returns identified:

Calendar Year	2013	2012	2011
Fraudulent Returns	563	139	183
Revenue Stopped	\$599,323	\$664,000	\$206,000

- Grocery credit fraud:

Calendar Year	2013
Fraudulent Returns	130
Revenue Stopped	\$21,544

# What to Remember

- 34-year-old property tax software needs to be updated
- Modernizing tax policy is necessary to meet future needs
- ISTC has met or is in the process of meeting the Office of Performance Evaluations recommendations
- ISTC is continuing to improve taxpayer services
- ISTC must stay current with modern technology

# **Legislation & Negotiated Rulemaking**

Michael Chakarun, Tax Policy Manager

# Legislative Proposals

- Make recommendations to:
  - Remedy injustice and irregularities
  - Facilitate collection of tax
- 14 proposals for 2014:
  - 7 income tax
  - 4 property tax
  - 2 product tax
  - 1 administrative

# Legislative Proposals Highlights

- Income tax:
  - Annual conformity bill
  - Modify multistate tax provisions
- Property tax:
  - Correct levy calculation formula
  - Provide methodology to assess certain operating property

# One Business Income Tax Return



# Legislative Proposals Highlights

- Administrative:
  - Require paid tax return preparers to electronically file income tax returns
  - Require large corporations and partnerships to electronically file income tax returns

# Negotiated Rulemaking

- Allow front-end participation by the public
- Informal and flexible process
- Expedite the formal rulemaking process
- Not required, but required to consider

# Negotiated Rulemaking

Step 1

- Determines feasibility of Negotiated Rulemaking

Rules Committee

Step 2

- After approval from DFM
- Submits Notice of Intent for Publication in the Bulletin

Rules Coordinator

Step 3

- Holds public meetings
- Reviews all written and oral comments
- Prepares rule draft

Rules Committee

Step 4

- Submits Notice of Proposed Rule for publication, along with rule draft
- After 21-day comment period has expired, prepares Resolution for Commissioners to review at Open Meeting, or Hearing if one is requested

Rules Coordinator

Step 5

- Hears testimony in any Hearings requested
- Approves or disapproves proposed rule
- Notice to Adopt Pending Rule is published

Commissioners

Step 6

- Reviews rule
- Hears testimony
- Approves or rejects rule

Legislature

# How has Negotiated Rulemaking changed the face of the Tax Commission website? Join us on the path to Rules...



**1. Click on Negotiated Rulemaking**



**2. Click on a tax type**

## Income Tax Rules Committee



This committee is responsible for all individual and business income tax rules as well as Estate and Transfer Tax rules, Kilowatt Hour rules, Mine License rules, and Tax Commission Administration and Enforcement rules.

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- Committee Chairperson: [Cynthia Adrian](#) (208) 334-7670
- Administrative Rules Coordinator: [Sherry Cann](#) (208) 334-7544

### Next meeting(s)

- Meeting time/date: Thursday, July 11, 2013, 1:30 PM
- Location: 800 Park Blvd., Plaza IV, Boise ID 83712-7742

List of [all meetings](#) (with agendas and attendees) »

### Rules under discussion (status board)

Rule, description	Current status
<a href="#">Administration and Enforcement</a> (35.02.01)	No posted activity at this time.
<a href="#">Estate and Transfer</a> (35.01.04)	No posted activity at this time.
<a href="#">Income</a> (35.01.01)	
<a href="#">033 American Indians</a>	Negotiated Rulemaking meeting scheduled for June 12, 2013
<a href="#">040 Part-Year Resident</a>	Review at meeting scheduled for June 12, 2013

3. Each rule has its own page

4. Click on the particular rule you're interested in



## Rulemaking - Income Tax Rule 140



### Income Tax Rule 140

Deduction for Energy Efficiency Upgrades

**Current status:** being negotiated  
**Committee:** [Income Tax Rules Committee](#)  
**Committee Chairperson:** [Cynthia Adrian](#) (208) 334-7670  
**Administrative Rules Coordinator:** [Sherry Briscoe](#) (208) 334-7544  
 → Subscribe to be notified via [RSS](#) or [email](#)

- [Status of Rulemaking](#)
- [Participate](#)
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### Status of Rulemaking

No available documents.

Rulemaking Schedule: Pending

[Idaho Administrative Bulletin](#)

### Overview

Rule 140 is being amended consistent with 2013 House Bill 4 to clarify that in order to qualify for the energy efficiency upgrade deduction the residence must be in Idaho and be the primary residence of the taxpayer.

# Break for Refreshments (10 minutes)



Thanks to the Idaho Society of CPAs

# Current Tax Topics - Panel Discussion

Moderated by Dr. Jim Weatherby

## Panelists:

- Sen. Jim Rice
- Rep. Grant Burgoyne
- Tawnya Nyman, MSAT, CPA
- Tax Commissioner Tom Katsilometes
- Tax Commissioner David R. Langhorst
- Tax Commissioner Ken A. Roberts

## **Thank You**

for taking part in our  
2013 Annual Meeting!

**Send any comments to:  
[taxmeeting@tax.idaho.gov](mailto:taxmeeting@tax.idaho.gov)**