

IDAHO STATE TAX COMMISSION

COMMISSIONERS' BUSINESS MEETING MINUTES OF MEETING OCTOBER 18, 2022

This meeting was open to the public; however, everyone was encouraged to attend by telephone

In attendance: Chairman Jeff McCray; Commissioners Tom Katsilometes, Jared Zwygart, and Janet Moyle; John Bernasconi, Julie Eavenson, Evan Sailor, Rick Mascall, George Brown, Aaron Yost, Lisa Kopke, Kim Wind, Lisa Palmer, Jerott Rudd, Rod Brevig, Brett Jarvis, Phil Skinner, Tom Shaner, May Roberts, Idaho Center for Fiscal Policy.

Public Session

Chairman McCray called the meeting to order and welcomed all those in attendance.

Recognition of Certificates of Service

Chairman McCray recognized John Bernasconi, Chief Operating Officer to present Certificates of Service for the following employees.

Patrick Mendez, Tax Auditor 1, AD/TDB, 5 years; Ryan Turpin, Tax Compliance Officer 1, CDA/FO, 5 years; Jillian Cobler, Tax Auditor 3, AD/ITA, 5 years; Tamason Nau, Tax Auditor 1, AD/ITA, 5 years; Rachel Woodbury, Tax Audit Manager, AD/TDB, 5 years; Steven Wargo, Tax Auditor 3, AD/ITA, 10 years; Roxana Luna, Tax Compliance Officer 1, CDA/FO, 10 years; Mclean Russell, Tax Auditor 4, AD/STA, 15 years; Brad Jones, Tax Compliance Officer 1, CD/MOB, 15 years; Donald Curtis, Tax Audit Manager, AD/STA, 15 years; Annette Schell, Technical Records Specialist 2, AD/STA, 20 years; Celinda Manweller, Office Services Supervisor 2, AD/STA, 25 years; Camille Personette, Tax Compliance Officer 1, CD/MOB, 25 years; Renata Shumway, Technical Records Specialist 3, RO/RP, 25 years; Robert Hoy, Retired from Tax and came back as a Tax Drive Temp, RO/RT, 30 years; Renee Eymann, Public Information Office, Senior, ADM/TRU, 30 years; Lee Ely, Tax Auditor 3, CDA/FO, 35 years; Michael Tobias, Tax Field Office Manager, IF/FO, 35 years.

This is a combined total of 315 years of service. Chairman McCray said he's encouraged by the number of employees on this list with five years of service. It tells him that our vision and strategy work we're doing is beginning to pay off. Hopefully, we'll see more people with five-year recognitions and more.

Business requiring a vote of the Commission

Minutes: Regular Business Meeting – July 19, 2022

Commissioner Moyle moved to approve the minutes of the Business Meeting held on July 19, 2022. Commissioner Katsilometes seconded the motion. There was no discussion; all Commissioners voted aye, and the minutes of the Business Meeting held July 19, 2022, were approved.

Minutes: Idaho State Board of Equalization – August 8 – 22, 2022

Commissioner Katsilometes moved to approve the minutes of the Idaho State Board of Equalization meetings held August 8, 11, 15, 16, 17, 18, 19, and 22, 2022. Commissioner Moyle seconded the motion. There was no discussion; all Commissioners voted aye, and the minutes of the Idaho State Board of Equalization meetings held August 8 – 22, 2022, were approved.

2023 Stumpage Values: Resolution 22-03

Rod Brevig, Idaho State Tax Commission Forester, presented the 2023 Stumpage Values for Forest Taxation in Idaho. Mr. Brevig said things have been dynamic over the last couple of years. Lumber values have gone through historic, abnormal increases due to many factors, but stumpage values haven't changed that much. He highlighted the two publications he provided Commissioners this morning that are used to explain the values and options available in Idaho. One is something unique to Idaho. Every ten years, Idaho allows a re-designation,

when a landowner can choose to move from one forest tax option to another. Idaho is unique in that we have two forest tax options, so landowners choose the one that best serves their needs. It's intended as an opportunity to maintain equity between our two forest tax options. Mr. Brevig said he's received no comments on the stumpage values.

Commissioner Katsilometes asked Mr. Brevig to explain why large logs are now less valuable than smaller logs. Mr. Brevig said mills have become more specialized. The machinery now is designed saw 10-inch logs. The mills for larger logs have closed. Those that modernized didn't keep the old systems, so mills have lost the ability to process larger logs. There are a few exceptions of specialized mills in Idaho that engineer wood to go in underground mines and provide support, but most mills want smaller logs. As a result, larger logs have lost value because they must be transported to mills that can accommodate them, and transportation costs are higher now.

Commissioner Katsilometes moved to approve Resolution 22-03: 2023 Stumpage Values for Forest Taxation in Idaho. Commissioner Zwygart seconded the motion. There was no discussion; all Commissioners voted aye, and Resolution 22-03: 2023 Stumpage Values for Forest Taxation in Idaho was approved.

Administrative Reports

John Bernasconi, Chief Operating Officer

Mr. Bernasconi said the Operations Leadership Team (OLT) held their retreat and Field Office visits during the week of September 19. They visited the Offices in Pocatello, Idaho Falls, and Twin Falls to continue engagement activities. There is a strong benefit to visiting the Field Offices and the Employee Meeting is another example. Feedback has been positive. They contracted with MathTech, a Strategy Consultant, who spent two full days with the Team focusing on building resilience, aligning teams for success, healthy conflict, and change management. They delivered a series of assessments with the Team including communication style, one called True Colors, which is defining personality style, and they shared all the tools with the Leadership Team so they could then share those tools and exercises with their teams. It was a way to expand engagement through understanding how they talk to each other. It was a great opportunity.

The semi-annual Employee Meeting was held October 6, once again delivered from the Field Offices. The feedback has been great with Administrators and Commissioners in those offices. This time, employees delivered much of the content. The OLT has created an Employee Meeting sub-committee, led by Julie Eavenson, Public Information Director, to find more ways to let people know how important they are to the organization.

The legislature is mostly quiet right now. We will begin to see legislative ideas soon and Aaron Yost's Government Affairs team and the Fiscal Note team will have the opportunity to weigh in on the impacts of potential legislation.

Mr. Bernasconi said strategy is what drives us. We are a strategic organization. About four years ago, we exerted a great deal of effort to completely rebrand and rethink our strategy and we've seen success. Our critical success factors - those things that must go right to meet our Mission, Vision, and Values - are: *We must retain, develop, and recruit great people*, and that hasn't changed. We measure engagement, work to improve it, and we train. *We must align our budget with our strategy*; we maximize our use of our personnel budget. *We must improve customer interactions*; we measure call hold times and abandonment rates, paying attention to what matters. *We must implement Operational Excellence*; we measure our processing times. *We must improve our internal and external communications*; we develop a communications plan. *We must leverage technology to improve efficiency*; we measure usability and use of our Taxpayer Access Point (TAP). Having more ways for our customers to reach us is what matters most right now.

Commissioner Katsilometes asked about Ms. Eavenson's report, saying in 2019, we had 16,500 calls dropped and this year, in 2022, there are 52,000. He asked what that means. Ms. Eavenson was recognized to respond and said those numbers are from the Taxpayer Services Unit Manager. They are experiencing many more

calls from taxpayers needing assistance. The other numbers have also gone up. Mr. Bernasconi added that there have been additional complicating factors: there were two rebates this year and Empowering Parents, which we didn't anticipate would flood our phones. Ms. Eavenson said the numbers provided in her report are only through the end of September and don't include the second rebate. Mr. Bernasconi noted that Ms. Eavenson will provide updates during her report, but the Empowering Parents process caused more calls than anticipated. Commissioner Katsilometes said that is only a partial answer because they had more calls, but not that many more as compared to the number dropped. They went from 111,000 to 143,000 calls, but the dropped number is significant, from 16,000 to 52,000. Ms. Eavenson said since 2019, when the calls were taking an average of five minutes per call, they've increased to almost seven minutes per call in 2022. When people are new to the state, they need more help. Before, they would only ask one question and staff only track the one major question asked, so if they say they're calling about the rebate, TPS marks that on their tracking sheet, but instead of just one or two questions, there are five, six, or seven things, and only the first is tracked. Commissioner Katsilometes said he brings it up because it's part of the strategic planning and it's been one of his pet peeves from the beginning, to correct that through the strategic planning, and he wanted to keep everyone on their toes.

Lisa Palmer, Appeals Specialist

Ms. Palmer presented the Appeals Division report. The next Appeals Resolution Meetings are scheduled for November 2, and November 30, in the Coral Auditorium at the Tax Commission office.

The Appeals Division's open projects include adding the Hearing Rights letter into GenTax. That project is completed. The next project is to build some Appeals reports into GenTax. Robert Foster, Audit Business Analyst is helping Appeals with these projects.

So far in fiscal year 2023, they have 340 current open cases and have closed 97. She's provided a breakdown of the closed case resolution types for each of the 97 closed cases. The average age of an Appeals case is 279 days; those are only cases assigned to an Appeals Specialist. If the case was assigned to an attorney, it isn't reported in these case numbers.

There has been an increase in the number of Circuit Breaker cases recently, primarily due to the passing of House Bill 481. They currently have 88 Circuit Breaker cases in appeals. All Appeals staff have been assigned Circuit Breaker cases, not just those in Income Tax. She thanked Sean Kerr and Kim Trinh, who primarily work Sales Tax cases, for taking some Circuit Breaker cases. The current average caseload for Income Tax Appeals Specialists is 56 cases, and the Sales Tax Specialists are averaging about 30 cases each.

Commissioner Zwygart complimented the Appeals Division on the good job they are doing. Chairman McCray asked about the project to build reports into GenTax and whether Ms. Palmer can provide an example of the type of report that is being requested and how many reports there will be. Ms. Palmer said she cannot answer, having only met briefly with Mr. Foster. She will meet with Mr. Foster to find out what was discussed and what instruction Ms. Coulson provided. She'll then discuss those findings with Chairman McCray. Chairman McCray said he appreciates that and the closed case resolution report that was added to her report.

Evan Sailor, Compliance Division Administrator

Mr. Sailor reported on the development work orders, or SQRs, currently open in Compliance. They have 29 open projects, 16 are enhancements and 13 are errors. Two are high priority; however, aren't impacting work. As mentioned in previous meetings, the X-9/E-Levy is still in process. They're in the testing phase, exchanging files with Chase Bank to ensure it's working. Once they know it's working properly, they'll move on to other banks including US Bank and Bank of America. This is big, because in fiscal year 2022, Compliance Division completed 25,000 wage levies and 9,000 bank levies. Those are all manual processes that take a great deal of time and effort. The Reporting Party Due Process has gone live and there are mixed reviews. It was a manual process that many thought would become completely automated. There are still some manual processes that must happen to ensure it is entered into the electronic process. They are working out some of the bugs, but it is moving forward. The outsourcing collection agency (OCA), through Professional Credit Agency is expected to go live on

January 5, 2023. There is a certain category of cases that will be transferred to them; for example, there are approximately 6,100 cases that are uncollectable and the accounts receivable on those is approximately \$59 million due. Many are out of state, and we don't have the ability to collect on those (approximately 1,800). Professional Credit has said they have attorneys in all 50 states, and he expects they will be able to collect those cases on our behalf.

In fiscal year 2023 (from July 1 through October 17), they've created 29,294 cases. They've closed 36,960 cases; it's good they've closed more than they've opened. They currently have 51,625 cases open as of this morning. That is within the normal range. They've been carrying 50,000 – 56,000 open cases for the last five to seven years. They do appreciate the rebates; they're up to about \$5.1 million in recoveries and they've closed about 3,000 cases. The total recovered for this fiscal year is \$56.8 million. Broken into the three biggest categories: individual income tax is approximately \$23 million recovered; sales and use tax is approximately \$16.4 million recovered; and withholding is \$7.3 million recovered.

Mr. Sailor said he's previously discussed their training program moving into a phased training with levels and tiers, all thanks to Lynn Howard, the Training Specialist. They've built upon the training, adding a seventh tier for customer service, which is big for them considering publication 647, the Taxpayer's Bill of Rights. Ms. Howard has also updated Tier 5 for sales and use tax. Phase 1 is focusing the entry-level compliance officers on individual income tax, and once they demonstrate their competency levels, they move on to sales and use tax. She just released the training earlier this week. They've hired 12 – 15 new Compliance Officer 1's this year who have done very well with individual income tax, but haven't done as well with sales and use, but they'll be moving into that phase soon. Ms. Eavenson has also finished the Field Office Communication Training and he's received positive feedback from all the Field Offices.

Accomplishments include the purchase of safety equipment for those that go out into the field to conduct seizures. One is puncture resistant safety gloves. Fentanyl can be absorbed through the skin and these officers must conduct inventories and must be as safe as possible. They're still pushing the Compliance Culture of being the ideal team player and they're helping Revenue Operations process withholding returns and payments, as time permits. In the last quarter, they've gone live with their employee recognition and they're doing "Shout Outs," which is a peer-to-peer recognition that is posted to their internal Share Point site. They also have a Compliance "Officer of the Month." In August, in Boise, it was Jackie Jackson, and in September, Audrey Smith from Pocatello was the Compliance Officer of the Month. They receive a \$25 Fandango gift card contributed by the supervisors.

Since the last Business Meeting, they've hired four more Compliance Officer 1's in the Boise office. There are still three vacancies, they're offering two more, and they've hired a new Compliance Officer in Lewiston, adding an additional position to keep the doors open routinely.

Commissioner Moyle said going to the Field Offices is very positive, and while she was in Coeur d'Alene, she had the opportunity to meet with Ms. Howard. She is doing an amazing job with the training program, but she did comment that it's a little more overwhelming than she had anticipated, so Commissioner Moyle suggested Mr. Sailor check with Ms. Howard to make sure she has the resources she needs to complete what she's doing. Mr. Sailor said as part of the critical success factor to retain, develop and recruit great people, they've tasked Ms. Howard, Steve Taylor, of TRU, and Jeff Middleton, of Property Tax to form the Training Committee. They have recently identified one person in each Field Office that will be a "collaterally-assigned-cadre" for training to help offset some of the training and development to alleviate some pressure from Ms. Howard.

Commissioner Katsilometes asked what he attributes his success with new hires to? Mr. Sailor replied that they've been pushing our Vision, because it is a fantastic vision statement, and their culture of being the ideal team player: Humble, Hungry, and Smart. They've been training supervisors on the hiring process. It's about bringing in the right person. He meets with two to three newly hired staff after they've been hired to get feedback

on the training. The last ten or so they've hired have been impressive, with extensive backgrounds. His fear, moving forward, is they will feel the need to be challenged and he worries whether they will be provided that.

Chairman McCray commented that Mr. Sailor mentioned that rebates have offset about \$5.1 million and asked if that was over all three rebates: 2021, 2022, and the Special Session. Mr. Sailor said the first rebate was about \$10 million, the second was about \$9.5 million, and this most recent one is currently at \$5.1 million. He hasn't received the latest numbers but expects that will increase once the October 15 deadline has been reached. He doesn't expect it to be up to \$9 or \$10 million, but it should increase. Chairman McCray further noted the peer-to-peer recognition program saying it's great to get recognition from your supervisor and manager, but the culture we're trying to create is having that peer-to-peer relationship. When we're recognized by our peers, it has a deeper, more personal meaning. He thanked Mr. Sailor for organizing that.

George Brown, Property Tax Division Administrator

Mr. Brown reported this is really the end of the Property Tax season, post-Board of Equalization. He thanked the Commissioners for finishing that work in August. UAD Web went live in Bonner County this month, with no issues. They're trying to do two or three conversions per year. They've had some counties drop out of the process, and he believes that's because of staffing issues. There are many newly elected officials, so the counties felt they weren't prepared. The state is prepared, even though there is a critical shortage of software engineers. When a conversion happens, Property Tax sends four to six people to the county, so the office is empty when a conversion is in progress. They will continue to press forward with the conversions.

The GIS (Geographical Information System) Team has processed 259 annexations so far this year which is a record for this time of year. Mr. Brown believes this is primarily due to population growth; cities and taxing districts are growing and when that happens, Property Tax receives a new map and GIS figures out the mapping lines and tax code area changes. The non-utility generator trial has concluded. This is the first property tax trial since he's been with the agency.

Mr. Brown, Alan Dornfest, Property Tax Policy Bureau Chief, and Kathlynn Ireland, Property Tax Policy Bureau, attended the International Association of Appraising Officers (IAAO) conference in Boston, MA this year. Mr. Brown and Mr. Dornfest each presented in separate presentations and Ms. Ireland moderated some presentations. It was one of the first meetings of the IAAO since the pandemic started, so the attendance was good, and they were able to re-ignite some relationships from pre-pandemic. The Western States' Association of Tax Administrators Committee on Centrally Assessed Properties (WSATA CCAP) meeting was in Montana during the first week of October and most of the Operating Property Appraisers attended.

There were 331 registrants for the Summer School during July. Students came from 28 counties and three other states including three city employees and representatives from private companies. It continues to get bigger. The Winter and Summer Schools are funded by the counties.

On November 14, Property Tax will hold their first Quarterly Town Hall meeting. They felt there wasn't enough contact with many of the county elected officials and staff. There are many new people and there've been few opportunities for contact because of the pandemic, so Property Tax will hold quarterly town hall meetings, starting in Canyon County. It is an opportunity for anyone that wants to know about property tax to ask questions. These Town Halls are for the city, county, and local officials to talk to the Tax Commission about their issues. Property Tax has published a flier with a QR code people can scan to request an agenda item be added. Property Tax staff will create an agenda based on the questions received. Hopefully they'll have a successful meeting in Canyon County and will be able to hold future meetings in other counties. The facilitators will be Mr. Brown and one other staff member from the Central office that can speak to the questions received, in addition to the local consulting appraisers. If they see, for instance, there are multiple questions about timber, then Rod Brevig will also attend.

Commissioner Katsilometes asked if Mr. Brown knows how many new elected officials he will need to train throughout the state. Mr. Brown replied probably half because new is a relative term: of 44 assessors, there are about 19 or 20 “new,” and another 15 in their first or second terms. In many counties, clerks, treasurers, and assessors – considered the “working elected official” – have been elected from outside local offices. Many of these new elected officials are new to county operations altogether, instead of having worked in local offices, then moving into the elected office. That creates a more difficult training regime for Property Tax because these people know little about the county offices. Commissioner Katsilometes asked if Mr. Bernasconi received any feedback on the “Tax 101” the agency recently provided for the Governor’s office. Mr. Bernasconi replied feedback was very positive saying it was exactly what they were looking for and it was broad enough that they came away with a better understanding of the Tax Commission. Commissioner Katsilometes said Alan Dornfest is already a star at IAAO but now Mr. Brown and Ms. Ireland are moving up and are well recognized throughout that organization.

Mr. Brown talked about the Property Tax Reduction conversion into GenTax. It is going extremely well, and he thanked the FAST staff, the Property Tax developers, and the Project Management Office because the project is well ahead of what they anticipated. Chairman McCray asked Mr. Brown to clarify the scope of the project. Mr. Brown replied that there are two phases. The first phase is to get the Property Tax system into GenTax so there aren’t random databases and spreadsheets. The second phase is that there will be, on the TAP website, a section for people to apply for the Property Tax Reduction (PTR; Circuit Breaker) and that part is ready to test. This will be a huge benefit for everyone.

Chairman McCray likes the concept of the quarterly town hall meetings and asked who receives the invitations. Mr. Brown said initially, his plan is to send invitations to every elected official in the counties, every taxing district in the state, and organizations like the Idaho Association of Counties, the Association of Idaho Cities, maybe CPAs (he will discuss that with the Communications team), and any other organizations that are property tax related. He doesn’t want people to think this is for anything other than property tax because this is strictly for property tax. The invitations will be as broad as possible, just not including the general public because that wouldn’t be productive. Chairman McCray further clarified that if he was invited and missed the one held in Canyon County, could he attend one during the next quarter in a different county? Mr. Brown said yes, and they’ll know in advance what will be discussed because the agenda will be published and if someone sees something they want to discuss, they can attend that meeting wherever it is being held. On another note, he and his staff don’t know how big this will be. They currently have a room for about 100 people. If there is a good response, they may need to review an electronic format so they can include more people. They want people in the room. They are sending invitations to the offices of the elected officials who can then choose who should attend. Commissioner Moyle said she appreciates that he’s taking the opportunity to train, but many times these meetings turn into policy discussions. She cautioned him not to let the meetings turn into policy discussions because we don’t need that criticism, so he needs to be aware that we need it to be training. Chairman McCray thanked Commissioner Moyle for the caution and said he’s sure it will be great dialogue.

Rick Mascall, Revenue Operations Administrator

Mr. Mascall reported the individual income tax (IIT) returns are at approximately 954,000, and business income tax (BIT) is about 115,000 and there are another 20,000 electronic filings already today. Yesterday was the same. There are permits beginning to stack up in the mailroom because of the due dates. Mr. Mascall discussed some of the backlogs: their focus with income tax is to process those returns that are preventing a rebate from being distributed. They are processing all the refunds and now they’re going in date order. There are approximately 14,000 that are over 8 – 10 weeks old. Of those, there are only about 3,700 that could potentially have a rebate attached. They’ve made progress and he’s happy with the way the teams are operating. It’s been about one year since they made changes in that team, and they’re now processing about 6,000 – 9,000 payments and returns per week.

The Business Registrations are now within the 7-day standard, and they’ve maintained that. That team has had recent changes, but he believes they will be able to maintain their processing numbers. Sales and Use Tax returns are the same. They were within the standard last week but have dropped off by a couple hundred. The

permit-based taxes, for sales and withholding, are up about 24% over last year. That equates into returns and payments, which is more work. That team is doing a good job of maintaining where they are. This week was the first time they've dropped the standard of having them processed within 25 days. Withholding isn't as good: there is a backlog of about 12,000 because of payments that are coming in with no return for the withholding; 87% of the payments arrive with an invalid date. If there is a solution for the invalid date, a large portion of the problems will be solved. They are working to identify service providers that are submitting the invalid dates. It appears that they are submitting the date the payroll runs instead of the filing date when there are multiple pay cycles in one month. That causes an error in our system.

Mr. Mascall said he's happy to report they were able to promote from within to their two Program Supervisor positions, but that caused two Technical Records Specialist (TRS) 3 vacancies. Overall, they have ten vacancies throughout Revenue Operations. There are two vacant TRS 3 positions, five TRS 1 positions, and three TRS 2 positions. They've been working with Human Resources at the job fairs to get people in the door. They can hire seasonal employees on the spot. Returning seasonal employees continue to carry Revenue Operations. There are 13 of 19 returning this year, which is a good percentage. These employees don't need training and can just start working. He is hoping to hire another 10 people, but they haven't had good responses for temporary employees, and many of those that do apply don't want to work 40 hours.

Other projects include the software planning and development (a sub-project of FRED) for the coming tax season. This year, the development team is testing and sending out the requirements to the software partners. Last year, the software developers were new, so needed time to gain some experience. We've developed a more disciplined test plan that we'll send to the partners, and we've expanded some of the testing around identified issues from this year to hopefully fix bugs now, so they aren't problems later. There are about 28 products. The staffing in that area was at 4.5 last year and this year it's at 3.5. He's reviewed the current tasks in the e-file manager, and it appears that with the experience they have in that team (and this is their second year) they will be able to complete everything. They are borrowing some labor from Central Processing, but they'll be able to manage it.

The Ida Fuels project is ongoing. The first phase of the Ida Fuels Replacement Project (replacing the Access database that would convert files from distributors into something GenTax can read), is targeted toward smaller distributors that need to use it now. The larger companies have their own way of changing data to work with GenTax. It's now in place for taxpayers to use through TAP. There are two choices: they can do it the "old" way, or they can do it the new way, but this is a transition to help them learn how to use the new tool. Phase two will occur when the configuration process for next year is completed.

With the configuration, they've accomplished a great deal this year; they were very disciplined with their approach. He is happy with FRED this year. The team was able to get more business rule changes made and more forms than in the past. They had six form changes, four of which were new, and 14 business rule changes. This is about the efficiencies they're trying to build in so returns aren't stopped when they come in but can process straight through the system. It is a little behind their goal, but paper and electronic are ahead of what they were last year. Tax Commission Information Technology (IT) is a major part of the block right now; they don't have enough developers so there's been some overtime to reach the deadline of October 21. The IRS will begin sending things next week, if the software providers can get the data sent in. Some big items in IT are the EOAD, or electronic operational automation database, which is a federal system that tracks results as part of IRS audit activities. It is in the support phase now and appears to be working well.

Commissioner Zwygart asked if all the withholding that is received with incorrect dates is hand-entered and how long that takes. Mr. Mascall replied that it's about 40 seconds per return. It's not a big task, but with the volume, they'd need two people per month to handle that. Chairman McCray asked about the Idaho Business Registration (IBR) process saying the Idaho Department of Labor (IDOL) had a project to streamline the process, and he asked if we have the interface with DOL and a good path forward. Mr. Mascall said we do have an interface. There are several Tax Commission groups involved in that project, but it's IDOL's project and all the

Tax Commission parties involved can only offer input. While there is the IBR Project, and they should do whatever they can to get good data in, there is also a GenTax activity they could implement that could help even more. The fact is that all IBRs stop for review. The goal is to have that be a percentage that is stopped. Chairman McCray clarified that Mr. Mascall is comfortable with the way the project is progressing from IDOL's standpoint. Mr. Mascall said their objectives aren't necessarily our objectives, but he feels good that they are giving us a chance to provide input.

Kim Wind, Audit Division Administrator

Ms. Wind reported on their Gen Tax work orders (SQRs). She currently has 65 open work orders. It's down from 90, so things are being completed, but they still have some open from last year including six high priority, three of which are EOAD noted by Mr. Mascall. There are still six SQRs for letters included in that total. Income Tax Audit discoveries for IIT and BIT are working in tax year 2019; the Tax Discovery Bureau Nonfiler unit is working IIT in 2016 and BIT in 2017. There are some they're still working from 2015 that they're holding for IMF (international monetary fund), which is the federal returns project. Once that project goes live, they should be able to move forward. EOAD went live and is working very well. IMF has been on the strategy for years and is on track to go live.

Fraud statistics are not all that different than last year. The refundable credits for the grocery credit (only because it's part of the federal rebate, the \$1,400 one, is where the high total returns (2,439) are even though the dollar amounts per return are low. They are trying to get the rebate federally, and then they file for the grocery tax credit in Idaho. The other dollar amounts, for 1099s, Estimated Payments, and the Refundable Credits for Claim of Right are all \$1 million plus and are consistent with last year. According to the Fraud unit, the fraudsters think they can just put any number on a return and those are areas where it's easy to do: they put in a random number and just see if it gets through.

She wants to recognize the Fraud and Criminal Units. They have been traveling a great deal. When this program started, they realized that unless the prosecutors take a fraud/criminal case, it's a waste of time. The unit has been going across the state talking to the county prosecutors to let them know who we are, what we do, and establishing relationships. It has paid off. We've had more prosecutors understand what they can do with our tax criminal cases. Ms. Wind noted the Evasion of Sales Tax, Perjury case in Franklin County. The individual paid in full on September 20, 2022 and pled guilty. The Fraud Manager is drafting a news release with the public information officer, but the crime involved an employee using their position of authority with the DMV to submit false bills of sale and false family sales documents to the DMV to avoid paying sales tax on a vehicle purchase. They filed their own paperwork to evade paying \$930.00 in sales tax. So not all are high-dollar values, but it is the abuse of power. Really, with the criminal cases, it is to ensure people comply with the law. There are more cases waiting for the prosecutors to take them.

Audit has restructured their annual performance reviews which will all be done by the end of December. Andrea Madsen, Mark Stones, and Greg Bussmann coordinated the restructuring and streamlined the review process. It was a complete overhaul.

Accomplishments include Sales and Fuels Tax Audit creating opportunities for the Field Offices. They announced a Tax Auditor 4 and a Tax Audit Manager position in the Field Offices, and Bille Pierson is now the Fuels Tax Audit Manager in the Twin Falls office. The Sales Tax Auditor 4 is in Pocatello and there's another Fuels Tax Auditor in Lewiston, so they're performing their roles remotely and they're excited to promote more people in the Field Offices. Misti Alvarez has worked with managed automated system (MAS) and FAST to add GenTax functionality for Audit Managers and Supervisors to reopen closed audits when there are fixable errors noted, because previously, opening a closed audit to make corrections skewed the reporting of open audits. Sales and Fuels Tax have also piloted a remote training agenda. Training for Sales and Fuels Tax Auditors has typically taken one year, and new staff were required to move to Boise for at least six months, up to one year, to complete the training. Misti Alvarez has also taken over as the Idaho International Fuels Tax Administration (IFTA) Commissioner due to a retirement. Duplex batch printing (double-sided) is now available which is very helpful. It

was a very long process, but it's completed. The Income Tax Audit and Audit-MAS went live with a new EOAD automation that will streamline the processing of audits based on data received from IRS examinations, as noted by Mr. Mascall earlier.

In the first quarter of 2021, Audit closed 4,889 audits with recoveries over \$14 million, and in the first quarter of 2022 closed 4,199 audits with recoveries of \$16 million.

Ms. Wind said Audit currently has 13 vacancies. For this quarter, there was only one external hire, and two internal promotions. They have reposted numerous times for those 13 positions. They aren't getting any qualified applicants. They've been attending job fairs, and at one, when the potential applicants saw the pay scale for the position and qualifications, they scoffed. They want \$30.00 per hour to start and that isn't possible. They are looking at different options. By the end of the year, they are also expecting retirements that will increase the numbers of vacancies.

Commissioner Moyle noted that she is concerned that the fraud unit is traveling and using taxpayer dollars to recover \$930.00. We need to make sure we're using our resources and taxpayer dollars wisely.

Commissioner Katsilometes asked if those retirees she expects within the next year are Tax Auditor 4's. Ms. Wind replied that they are a Bureau Chief and some 4's. They've done a very good job training for their departure, but it's going to be a great loss of knowledge.

Julie Eavenson, Public Information Director

Ms. Eavenson reported on the Taxpayer Resource Unit's accomplishments saying that as part of taking on the Employee Meeting coordination, she'd like to get new faces involved. She's heard that the same people are always presenting and since she was in the Lewiston Field Office when it was announced that she'd be leading the committee, there were a couple of people there that expressed interest in being part of the team. She looks forward to reporting the updates in the future. As part of the communication strategy, they have already implemented the weekly communication meetings with the Operations Leadership Team and Gordon Myers, of TPS (Taxpayer Services), and Renee Eymann from TRU (Taxpayer Resources Unit). They monitor issue alerts, communication strategies, and anything that could surprise the agency. These meetings are held on Mondays at 11:00 a.m. every week and it's helped them stay abreast of situations and to stay prepared.

The vacancy for the Project Specialist in TRU will be announced this week. They are strategizing with that position and having a new person in the Project Coordinator's position, looking at the new website and how they can communicate well both internally and externally. They're looking at how they make sure they hire the right person to help fill any gaps there may be because there isn't much upward mobility in TRU. This is an opportunity to evaluate what they're doing which includes the taxpayer access portal (TAP) and how they respond to questions from those users. This is a good opportunity to figure out how to do that better.

Ms. Eavenson reported they will be recording new messages in TPS for when someone calls. Cisco has the option to record an introduction, then to play music, then put on another message. They have up to six spaces, and they will record four to see how it goes. They want to catch those callers that can be re-directed if they hang up within the first 70 seconds. It's not necessarily a fix to some of the issues they're experiencing, but it is an existing tool that can be used. Right now, the wait time is about 45 minutes and it's painful. People are frustrated, but we're trying to use the available tools.

Rebates are one reason the call volumes have increased. People don't follow instructions and some people are getting into TAP thinking they must get an authorization code to be able to receive their rebate. She doesn't know how this is happening, but there were six within the last week. They're struggling to help people get to the right place. It may be because they will call to get information about their rebate, and when they don't get it there, so they go to the website, and we're just hoping the message on the website helps them get to the right area, but we know people are concerned about the rebates, it's just adding to the increased volume and TPS is helping as

well as they can. The website was updated to include the new rebate at the first of the month, so people can access either the 2021 rebate, the 2022 rebate or the 2022 Special Session rebate from the website. Even the Governor's office has added a link to their website redirecting people to the right place.

Governmental Affairs continues to respond to questions from taxpayer representatives. TPS receives 400 – 500 requests per week and they've managed to provide answers within the same week. Sue Foster, who has announced her impending retirement, is the primary respondent. While she has vast experience, she has an ownership in the Tax-Rep program, and everything comes back through her. Ms. Eavenson hopes to build some trust in that position, so once the Tax-Rep is answered, the individual who responded is responsible for tracking it instead of everything coming back through Ms. Foster. Audit and Compliance provided some help to TPS with those calls.

The Social Media followers continue to increase. She attributes that increase to the creativity of her team. They're looking at how we reach people. Ms. Eavenson reviewed the statistics provided the Commission outlining those things we post and the numbers of unique viewers of videos. We've increased our opportunities to be seen in posts; impressions are how many times the channel itself made those opportunities available for people to see. The YouTube reach has increased, and she attributes that to Mr. Taylor, who's refreshed our information and videos. He's reached out to people in the organization to discover what they're interested in seeing, in addition to his training programs. He has a good sense of what is going on outside the agency, as well.

At the last meeting, Chairman McCray challenged her: "if you aren't monitoring it, you cannot manage it," so they've begun tracking media coverage. She's had a bit of a realization because the last time she did media full time, there were clipping services – you hired someone. The markets have change drastically and she's reached out to colleagues and previous contacts to find out how they're managing their media coverage. They're spending time every day looking at all the places that cover them. Even though there are some video and radio services we're researching for the return on investment, we are tracking our subscriptions. We have a subscription with the Idaho Press Tribune, which is Adams Media Group. They're the largest in the Northwest and they have their own news service and papers all over Idaho. We also have a subscription with the Idaho Statesman. She said we have more news coverage that is issue-based, and that tells her that we should work on education and outreach for the areas with the most interest. For example, Property Tax gets attention. There was a news organization that published an article when the Property Tax Estimator first came out, and they did a good job. Then, after all the Circuit Breaker information came out, the same news organization put three reporters on the story and got the entire thing wrong. Kathlynn Ireland, Property Tax Policy Bureau, asked how they can help educate people about property tax. Ms. Eavenson said she and Mr. Brown have discussed Information Media Kits and he'll have one for his Townhall Meeting. It'll include the top three or four things, particularly from that article and some things Ms. Ireland has pointed out and they'll pull together information that will help people understand and that can be shared with media, legislators, industry groups, or anyone that wants to know something about property tax. TRU will work with the other Division Administrators to develop information packets for them. They will be able to share this information with new reporters and new legislators.

Ms. Eavenson discussed the Communication Strategy. On September 16, she conducted training in the Lewiston Field Office, and on September 19, in the Idaho Falls Field Office. She was impressed with their grasp of what she was presenting. One of the key things from the employee survey was identity. She spent a good portion of the training talking about knowing who we are and how we represent that to others. Currently, whatever people say about us is what people believe. It's what is in the media and what elected officials say. She told them that we need to adopt three things: 1. We are stewards of the public trust. 2. We are professionals. 3. We are public servants. They then spent time brainstorming how they viewed communication. They didn't feel the tools we have available are bad tools, but they did want to know how to find things, and who to talk to when they need something. They said they don't mind clicking on a Tax Insider article, but they want to know that what they're getting from Division Administrators, from TRU, from Mr. Bernasconi, is meaningful. They want authentic and effective communication. She was encouraged by their response to our communication strategy. She believes she'll have more resistance from the Boise office.

Chairman McCray asked about the website upgrade and noted the development link that leadership can use to review and provide comments prior to publication in November. He also appreciated the communications strategy saying the three points she made completely align with Great People. Acknowledging we've had multiple discussions about TPS and a call center, and he knows there is a great deal of work going into addressing Commissioner Katsilometes' concerns with wait times and dropped calls, he asked for a specific agenda item at the next business meeting for Ms. Eavenson to provide an action plan including what is currently being done, the reporting, and future action items, and any requests she has that will help to address the action plan. It's been discussed, but he's not sure it's been distilled into one plan. Ms. Eavenson asked if he wants a summary and report? Chairman McCray said he'd like a specific timeslot dedicated to the action plan and he encouraged her to invite Gordon Myers and any others she feels will be helpful in the presentation of the work that is being done and what we're doing to address the issues.

Lisa Kopke, Financial Executive Officer, Management Services

Ms. Kopke provided updates on projects and statistics for Management Services. There are several projects ongoing, and they've received the bids for the Field Office security enhancements. The quotes were high, but it is a priority and Twin Falls will be first because a few years ago, when everyone had holdbacks, they were cut. The Lewiston and Coeur d'Alene Field Offices are receiving their new furniture that was purchased with salary savings from fiscal year 2022 per DFM guidelines. Her unit will follow up after everything is installed to ensure they have everything they need in those offices. Vonnie Larson, Tax IT Program Specialist, recently went to the Twin Falls Field Office and replaced monitors that have exceeded their useful life and worked on their connectivity issues. The Idaho Falls Field Office move is on track. The project should take six to eight months and they're working with Department of Administration and the Capital Mall Security team to ensure that project is all-inclusive. Currently the Department of Administration and our construction crew are working with architect and engineering teams to have plans developed to submit to the safety board which should take about two months. The plan review and approval process will take another two to four months and once the plans are signed off by Building Safety and Security, construction will take six to eight weeks. While we're waiting for that to happen, we're working with OITS (the Office of Information and Technology Services) and Department of Administration and Health and Welfare to coordinate the space swap. They hope the furniture, the electrical rewiring and all the power poles for the cubicles can be completed before construction begins. The space won't change, so there's nothing to prevent that from happening. There is a purchasing help ticket solution on the project list, but LUMA has agreed to provide an opportunity to make some changes. They don't know what that will look like yet, so they've put that project on hold for now. To supplement, they've created a group email inbox to assist staff with ordering. Instead of individually emailing one person, staff can email the group who will coordinate getting the orders filled. Additionally, Toni Nash will be rebuilding their Share Point site for staff. They're hoping to assist staff that travel with documents and SOPs and how to rent cars will go onto that site for easier access.

Per DFM guidance, all the money they will use to contribute for Rebates is lumped into one fund and is being tracked as one fund. They've expended about 52% of the total funds for all three rebates, or about \$563.7 million. Ms. Kopke said through September, with all three rebates combined, they've disbursed an additional 1.4 million payments to taxpayer rebates. That is an incredible amount of work for both Revenue Operations Division and Management Services. This cannot happen, either, without the collaboration of the State Controller's Office and the State Treasurer's Office because they help make this successful. We appreciate their help and collaboration.

They've finished processing September month-end. September distributions for accruals and distributions to the General Fund totaled \$508 million. Fiscal year-to-date accruals and distributions to the General Fund was \$1.27 billion. For our internal budget updates, we've expended about 25% of our personnel budget through September. We are experiencing about \$38,000 in salary savings every pay period. There are multiple vacant positions in active recruitment and when those positions are filled, the salary savings will decrease. We've expended approximately 29% of our operating budget and approximately 45% of our capital outlay budget. There

are still supply chain issues, but Ms. Kopke hopes to receive everything in our capital expenditure budget request. It goes without saying that 98% of our budget is usually spent prior to July 1 because of the multiple IT contracts, contracts for the statewide cost accounting, rents, and leases; we're just waiting for invoices to arrive.

Ms. Kopke is the steering committee representative for employee events and October 31 is the Halloween event. They've begun talking about the Christmas events and, as Ms. Eavenson mentioned earlier, they are trying to breathe new life into the steering committee because it's been the same group of people who participate in every committee.

Management Services now has three vacancies because they've lost a Revenue Accounting staff member to the Department of Finance. That is a critical position that helps with all the month-end distributions and she's hoping to fill it quickly.

They've begun the LUMA system integration testing for the cash manager, which is where distributions will live, so they're excited to see that program and what it has to offer in preparation of sending all this money out every month. During the latest liaison meeting, it was announced, "January 1st will not be the earliest possible go-live date for phase 1 financials. The project management team and governance board are currently assessing the viability of a go-live date for June or July." That means, for Tax, we continue to help with SIT testing and being supportive where we can for that team. Legislative Services Office (LSO) is currently on-site conducting our annual audit. They expect to be finished about November 11.

Commissioner Moyle said she has questions and concerns about how we spend our salary savings. She said it is her understanding that furniture is not allowed to be used. She knows Ms. Kopke said DFM stated they gave us authority to do that, but she wants to know who at DFM had the authority to do that and do we have that in writing? Ms. Kopke responded that we work with our DFM analyst and that is who we send our requests to: we send them in writing, via email and receive the response, via email. Commissioner Moyle clarified that we do have written documentation. Ms. Kopke responded that we do. Mr. Bernasconi was recognized to speak and said that statutory authority says DFM has the authority to allow movement by a state agency in one direction only. Agencies can move from Personnel to Operating to Capital, we can't go any other direction, and we're operating under that statute.

Rhamona Grabenstein, Human Resource Officer

Mr. Bernasconi presented Ms. Grabenstein's report because she is facilitating the Hire to Retire training this morning.

Mr. Bernasconi touched on a few of the statistics in Ms. Grabenstein's report, including the fiscal year-to-date turnover percentage. The Tax Commission has historically been below the state average. In this current highly competitive environment, it's flip-flopped: our turnover rate is about 8.3% while the state is at 5.7%. Many of those are in-state (intra-agency) moves and we're having a difficult time with those. There were 44 vacant PCNs on 10/12/2022 and 42 of those were in active recruitment. As Ms. Wind mentioned earlier, some positions are posted multiple times because there are no qualified candidates, or the register is returned with zero applicants.

We are in the process of hiring our second PERSI retiree under HB555. If anyone knows of someone who retired prior to 01/01/2022, there are open positions for which they can apply and still receive their PERSI retirement benefits. Two Audit leaders are attending Boise State University's COBE (College of Business and Economics) mixer. HR and Operational Leaders will be attending the BSU Fall fair tomorrow. Each division provided information for an internship fair HR attended on 09/20/2022 at Nampa Nazarene University (NNU). While there haven't been any hires from that event, it is another avenue we're exploring.

At a recent HR meeting, it was announced that LUMA will go live July 1. They're also participating in testing and focus groups working on the global organizational structure, understanding the Learning &

Development system including how to transition our information to the new system, and testing the payroll system. DHR is facilitating a Leadership Conference for all human resource officers around the state on October 26 and 27. The conference is intended to strategically align leaders who'll be achieving the outcomes expected through HR Modernization for a greater consistency and greater support to all agencies.

The Emotional Intelligence Workshops scheduled for September, October, November, and December are all full. The September workshop was well-received and 28 people are in the process of completing the October workshop. That means 28 people will meet with Ms. Wind and Ms. Grabenstein to discuss their results and develop a path forward. The Hire to Retire series concludes today and is the reason Ms. Grabenstein isn't here today. The series will continue with the expectation that all new supervisors and above attend any sessions they've missed. If any supervisor or above would like a refresher on anything, they're also welcome. Ms. Grabenstein is currently scheduling the third group for the Leadership Series.

Ms. Kopke has already mentioned the Halloween events on October 31 with the costume contest and potlucks; and the next Blood Drive on the Chinden Campus will be November 8. Appointments are encouraged but walk-ins are welcome.

Aaron Yost, Government Affairs Program Manager

Mr. Yost said this is a fun, slow, but busy preparation season. This last quarter, the Legislature convened the Extraordinary Session on September 1 and passed House Bill 1, which has already been discussed with the rebates that were a result. Additionally, there was an engaged public rule comment period with the Income Tax Rules this year. All that has concluded, and our rules dockets have been compiled and submitted. The Commission will receive those for adoption soon. Typically, there is only one Rule Docket per tax chapter, but because of public discussion and the addition of the single sales factor rules, they received special permission to submit two separate rules dockets for Income Tax Rules this year.

We are supporting the ISCPA with their Fall Tour. That will be in Post Falls, Twin Falls, and they're hosting some virtual sessions with the ISCPA in Boise and a Washington Preparer's Group education series. After that, the Multistate Tax Commission (MTC) Fall Meeting is in November, then the Legislative Tour December 5 – 8. He has a calendar prepared that will be disseminated after this meeting. He's looking forward to getting the meeting information packets together for the Legislative Tour.

Reports on Rules Committees

Tom Shaner, Research Manager, said our Rules season is winding down; we've worked through all the issues. The one big issue that was recently resolved was that Industry would like to have examples in the Rules surrounding the Single Sales Factor statute. We were willing to do that, but DFM has recommended taking all examples out of rule. We asked the Governor's staff if they would be the arbiter, so we aren't picking sides. They've said it is a statewide policy. They want the examples on a different page on our website. With the new website, they're going to let us put tax.idaho.gov in as a placeholder in the rule and when the website page is developed, we'll have a page for each tax type and they'll let us edit the links without going through the rulemaking process, considering the changes non-substantive corrections.

This year, we're submitting the Income Tax Administrative Rule and Beer and Wine Rule, but because Beer and Wine chapters were combined in the original Red Tape Reduction Act, we had already made many cuts and clean-up so there aren't making many changes now. The words "strong beer" was removed because there's nothing in statute called "strong beer;" it's just beer greater than 5%.

He can attest to the increase in questions over the last year or two for all the reasons already stated related to the Rebates, but also because of the state and local tax (SALT) workaround law. They're still getting questions from taxpayers, preparers, and software developers about confusion around the forms. Many of the questions were about the software, but we can't respond to those. He encourages those individuals to contact the software provider. If it's something we can define, we try to get a message through to the software publishers.

The Commissioners should receive their drafts of the Pending Rules soon and it will be a Resolution for adoption at an open meeting for the next legislative session.

Commissioner Moyle said the SALT workaround is federal and not state so it has been extremely interesting, and she appreciates all the help in answering so many different questions. Mr. Shaner agreed that we are accommodating a change in the Federal Law, but we're doing it on our forms. One of the big areas of confusion is that our statute is titled Affected Business Entity, and no one connects the two.

Other Business

There was no other business.

Public Comment

There were no public comments.

Executive Session

Commissioner Katsilometes moved to go into Executive Session with legal counsel pursuant to Idaho Code § 74-206(1)(f) to discuss the status of litigation to which the Commission is a party. Commissioner Zwygart seconded the motion; Maria Young, Management Assistant took a roll call vote: Commissioner Zwygart, Commissioner Moyle, Commissioner Katsilometes, and Chairman McCray 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.

Chairman McCray reconvened the open session of the Commission and noted there will be a Special Session on November 2, 2022, at 10:00 to adopt the pending rules, as reported by Mr. Shaner earlier today. The next quarterly business meeting of the Tax Commission will be Tuesday, January 24, 2023, at 9:00 a.m.

There being no further business, Chairman McCray adjourned the meeting.

Maria Young, Secretary

Jeff McCray, Chairman