

**IDAHO STATE TAX COMMISSION**  
**COMMISSIONERS' OPEN MEETING**  
**MINUTES OF MEETING JANUARY 8, 2020**

In attendance: Commissioners Tom Harris, Tom Katsilometes, and Elliot Werk; John Bernasconi, Nick Landry, Debbie Coulson, Kim Wind, Mike Chakarun, Mark Warbis, Rhamona Grabenstein, Shelli Boggie, Phil Skinner, Kara Lansberry, Lisa Schroeder, Somer Weich, Gina Washburn, and Maria Young.

**Public Session**

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

**Presentation of Certificates of Service**

Shelli Boggie, Human Resources Officer, acknowledged the employees receiving Certificates of Service. Ms. Boggie noted that their combined total of 160 years of state service is appreciated. The certificate of service recipients were: Alyssa Kunz, Tax Automated System Specialist, Collection/Administration, 5 years; Ryan Beus, Human Resource Specialist Senior, Administration/Human Resources, 5 years; Austin Shumway, Technical Records Specialist 1, Revenue Operations/Permit Accounting Services, 5 years; Kim Wind, Tax Division Administrator Audit, Audit Administration, 10 years; Nann Long, Tax Auditor 3, Audit/Income Tax Audit, 10 years; Nancy Allen, Tax Auditor 3, Audit/Tax Discovery Bureau, 10 years; Sky Mahoney, Technical Records Specialist 1, Collection/Central Collection Bureau, 10 years; Kathlynn Ireland, Tax Specialist, Property Tax/Policy, 15 years; Randy Alt, Technical Records Specialist 3, Revenue Operations/Taxpayer Accounting, 15 years; Patricia Corn, Technical Records Specialist 1, Revenue Operations/Initial Operations, 15 years; Renee Poe, Technical Records Specialist 1, Revenue Operations/Initial Operations, 15 years; Christen Lewis, Tax Audit Manager, Audit/Tax Discovery Bureau, 15 years; Kristen Thornton, Tax Technical Unit Supervisor, Revenue Operations/Resource Team, 15 years; Aimee Fisher, Tax Auditor 3, Audit/Twin Falls Field Office, 15 years.

The Commissioners thanked everyone for coming and expressed their congratulations and appreciation to all recipients and the employees who came out to support them.

**Business requiring a vote of the Commission**

Minutes: Open Meeting – November 13, 2019

Commissioner Werk moved to approve the minutes of the open meeting held on November 13, 2019. Commissioner Katsilometes seconded the motion. All voted in the affirmative and the minutes of the open meeting held November 13, 2019 were approved.

Minutes: Economic Estimates Commission Meeting – December 3, 2019

Commissioner Werk moved to approve the minutes of the Economic Estimates Commission Meeting held December 3, 2019. Commissioner Katsilometes seconded the motion. All commissioners present voted in the affirmative and the minutes of the Economic Estimates Commission meeting held December 3, 2019 were approved.

## **Administrative Reports**

### Management Services, Nick Landry

Mr. Landry noted the Governor announced a budget reset for state agencies during his State of the State address. With that guidance, Mr. Landry reported the majority of his focus is preparing for our budget presentation to JFAC on Friday, January 17, 2020.

### Human Resources, Rhamona Grabenstein

Ms. Grabenstein is the new Human Resource Officer for the Tax Commission. She said we are currently holding 25 vacant classified positions open, with 3 pending openings, to help satisfy the budget reset. We are also holding 16 vacant temporary positions (19.5 hour/week positions) open.

Employee engagement is ongoing, and the Leadership Team has agreed that the next step to improving our employee engagement is to brainstorm with our employees to generate creative solutions to the areas on the engagement survey where leadership was not scored as highly as we would like to have been scored. These brainstorming sessions are intended to take employee input and feedback into consideration and to plan the next steps to improve employee engagement.

### Revenue Operations, John Bernasconi

Mr. Bernasconi reported that paper Individual Income Tax returns decreased by just over 9,000 (6%), while electronic returns increased by just over 22,000 (3%). Paper Business Income Tax returns decreased by about 3,800 and electronic returns increased by about 7,000.

Due to the income tax and withholding changes in 2019, Revenue Operations anticipated processing more payments and they have now processed 60,000 more paper payments. He hopes this stabilizes in 2020. Commissioner Werk noted this was only for a 6-month period; this year will be a full 12 months and he asked whether those 60,000 additional payments will increase. Mr. Bernasconi said he is prepared for that to happen. He will schedule a leadership meeting in his division so the 2020 projections can be reviewed with the whole team.

Commissioner Werk noted there was a push in 2019 to educate people about withholding and it appears to have done little good. He asked if we intend to try again. Mark Warbis, Taxpayer Resources Manager, said our surveys this past fall indicate we only affected a very small number of individuals. We have already begun to receive questions from businesses about the 2020 Federal withholding changes. Everyone needs to review their most recent pay stub to see how much is being withheld and adjust their Federal W-4 accordingly. Employees should also review their Idaho withholding and complete an Idaho W-4 since Federal and State withholdings are different. Mr. Bernasconi asserted that changes are not retroactive. The Taxpayer Resources Unit will continue to communicate this information to the public.

### Audit Division Administrator, Kimberly Wind

Ms. Wind said we are halfway through fiscal year 2020 and Audit has conducted over 10,000 audits, the same as last year. The recoveries are at \$24.6 million; in 2018, recoveries were \$20.1 million. Ms. Wind said she currently has 8 part-time positions and 6 full-time positions vacant which will reduce the number of audits her unit can process.

The Fraud and Identity Theft department is getting ready for the 2020 tax season. There were 46 fraud returns identified and 17 identity thefts identified in 2019. The 2018 offset numbers have been updated: they processed 3,700 returns, which saved \$1.077 million in

refunds. In 2019, they processed 6,500 returns, which resulted in a savings of \$1.572 million in refunds. The “offset” refers to people that do not respond to the letters requesting identity verification. When people eventually respond, that affects the numbers. Ms. Wind said offsets in other states are called fraud. In Idaho, they are not. Idaho wants to confirm a fraud is a fraud before it is labeled fraud.

Commissioner Werk noted the small fraud numbers are only confirmed frauds. Those 6,500 returns could include many frauds; however, they are unconfirmed, so are not reported as fraud. It is important to ensure, in our communications with others, that there may be thousands of additional fraudulent refunds requested, we just cannot absolutely identify them.

#### Tax Appeals Manager, Mike Chakarun

Mr. Chakarun reported on the cases in Appeals. As of December 31, 2019, there were 330 cases in the Appeals inventory with an average age of 226 days. There are only 3 cases that are over 3 years old. Of 333 cases, they have issued decisions on 61 cases. After the decisions are issued, the petitioner has 91 days in which to file an appeal with the Board of Tax Appeals or district court. If they choose not to file an appeal, the cases can be closed. The average age of these 61 cases is 331 days. There are 272 active cases with an average age of 202 days.

During the first half of the year, Appeals closed 120 cases that had an average age of 336 days per case. 94% of those were closed within 2 years of assignment. The target is to close 90% of the cases within 2 years of assignment.

#### Collection Division Administrator, Debbie Coulson

Ms. Coulson reported she currently has 12 vacancies and will have another soon. With that in mind, she has 25,325 collection cases that are not assigned and are not being worked on. They have resolved 55,880 collection cases over the first half of this fiscal year. Recoveries, year-to-date (as of December 31, 2019) are \$66,900,000, down \$1,000,000 from last year at this time. Commissioner Katsilometes clarified, and Ms. Coulson confirmed, that this is due to the vacancies. They are managing workloads to get the work done, but her fear is that in the next 6 months, she will see a greater impact due to the vacancies. She is currently reviewing cases and the accounts receivable balance has increased from \$137 million in fiscal year 2018 to \$167 million this fiscal year. They will need to continue to prioritize cases moving forward as this will compound over time. The accounts receivable will continue to increase, and they will need to determine how long to hold accounts and when to start writing them off. Lisa Schroeder asked how many of those collection cases are due to closed audits. Ms. Coulson said she doesn't have that information with her, but it is usually about 25%.

Ms. Coulson continued that Collections tries to get the taxpayer into compliance by calling within the first 6 months. It is far more difficult to recover anything after that amount of time and it continues to get more and more difficult the older the case gets. That is why she tries to focus the greater effort on the first contact, within the first 6 months.

Ms. Coulson has now received permission to finish securing the front counter at the Lewiston Field office, and that is the final field office to receive a secure front counter. Her hope is to have the work completed by April or May 2020.

#### Property Tax Division Administrator, George Brown

No report.

### Public Information and Taxpayer Resources, Mark Warbis

Mr. Warbis introduced the new Web Developer, Somer Weich, and the new TPS Call Center Manager, Gina Washburn.

Mr. Warbis shared a continuing improvement report for digital outreach and website traffic. This report shows that the website is the primary portal for the public. Ms. Weich will spend much of the next year changing the website's platform which will allow for some upgrades and improvements.

The Idaho State Tax Commission Annual Report is now available on the website. It is clearer than it has ever been. We, as an agency, will continue to move in the direction of clarity and understandability.

Before moving into the next agenda item, Chairman Harris said this forum will now be the administrator's opportunity to communicate with the Commissioners going forward and he thanked everyone for the work they have done on their reports.

### **Reports on Rules Committees**

Mr. Warbis reported that Tom Shaner, Tax Policy Manager, and Cynthia Adrian, Income Tax Specialist are presenting to the House Revenue and Taxation Committee today. The chairman of the House Revenue and Taxation Committee requested they be present to answer questions. The Rules process this year will be a longer and more arduous process than it has been before.

Commissioner Katsilometes noted Property Tax Winter School is under way. There are about 350 students being taught in both this building and at the Red Lion Downtowner.

### **Other Business**

Commissioner Werk asked about the IT Services. John Bernasconi, interim manager, said he has 1 developer position open now and will have another by Friday. He is scheduling applicants for interviews. He would prefer to hire the 2<sup>nd</sup> position as a Software Engineer 2 as an underfill for a Software Engineer 3, to broaden the applicant pool. He can then develop a training plan to allow that individual to graduate to Software Engineer 3. Commissioner Werk added that those 2 vacancies could cause issues with being able to keep GenTax and processes running, and he asked what the developers do. Mr. Bernasconi said they provide break/fix and enhancement support for divisions for GenTax changes, updates, interventions (when nightly processes don't work, they fix those) and they handle program enhancements. The vendor, FAST Enterprises, is helping fill the gaps at no cost to us. They realize there is no benefit in GenTax not working well. The workflows will be slower, but that is due, in large part, to his wish to train the 2 new developers he has (they are within their first 6 months). He wants them to have the opportunity to learn, instead of doing the work for them and hoping they pick it up through watching. The work is being prioritized well, and right now, while slower, the system is fully supported. Commissioner Werk noted we are looking at a GenTax upgrade, to Version 12, in September. Mr. Bernasconi confirmed that work has already begun and because it is a version upgrade and covered in our enhanced agreement, the program management responsibilities rest with FAST. Commissioner Werk said there will be many improved features, but we will be upgrading while we have 30 positions intentionally unfilled due to the budget reset. There will be more pressure on the testers during that time, so he wants to express his appreciation, in advance,

for our leadership and for the people in our agency that are going to pick up that load while balancing the loads that are already there.

Mr. Bernasconi talked about Strategy Recalibration and said one part of that was process improvement. The first task was to do a better job identifying and eliminating regression testing areas that were redundant. Beth Gasseling, in Collections, has been instrumental in that effort. We will be moving forward with a much cleaner approach.

Commissioner Werk asked about the ongoing relationship with ITS. He believes it has settled some since the move, which was rough. Mr. Bernasconi said it has settled. Geraint Morgan, our relationship manager, is very responsive. Mr. Bernasconi said our Wi-Fi network is still a challenge. ITS enlisted a 3<sup>rd</sup> party vendor to walk-through our building to identify problem areas. They determined that the issue was integration from the access point through the security validation process and they are working on that. Overall, he is more comfortable with their problem resolution. Mr. Landry is working hard on what and how ITS is charging, though, and he has not relented. We need to match what we pay for against what we receive. Commissioner Werk said it might be a reasonable time to again think about approaching ITS with a service level agreement (SLA) so we can contractually know what is expected of each party. He has a draft SLA we presented to them last May but that was not accepted. He is certainly willing to pass that on to Mr. Bernasconi or Mr. Landry, but he thinks it is important to know what the relationship looks like and that the responsibilities are defined. Currently, we do not have defined responsibilities. Mr. Landry added that having a service level agreement is a part of the IRS findings.

#### **Public Comments**

There were no public comments.

#### **Executive Session**

Commissioner Werk moved to go into Executive Session with legal counsel pursuant to Idaho Code § 74-206(1)(f) to discuss the current status of litigation to which the Commission is a party. Maria Young, Management Assistant took a roll call vote: Commissioners Harris, Katsilometes, 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**

Chairman Harris declared the Executive Session ended and returned to the public session.

The next Idaho State Tax Commission Open Meeting will be held on February 12, 2020 at 1:30 p.m. to review and approve the 2020 Forest Land Values.

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

Maria Young

Tom Harris