

# **IDAHO STATE TAX COMMISSION**

## **COMMISSIONERS' OPEN MEETING MINUTES OF MEETING JANUARY 5, 2018**

In attendance: Commissioners Tom Katsilometes, Janet Trujillo, and Elliot S. Werk, Mark Poppler, Debbie Coulson, Steve Fiscus, Michael Chakarun, John Bernasconi, Randy Tilley, Doreen Warren, Chuck Pond, Renee Eymann, Roxanne Lopez, Kathy Osborn, Don Williams, Sherry Briscoe, Glenda Smith, Phil Skinner, and Kelly Martinez.

Guests: Idaho Attorney General Division Chief Kay Christensen  
Idaho Association of Highway Districts Executive Director Nick Veldhouse

### **Public Session**

Commissioner Tom Katsilometes convened the open meeting and welcomed all those in attendance.

### **Presentation of Certificates of Service**

Kathy Osborn, Senior Human Resources Specialist, acknowledged the employees receiving a Certificate of Service. Ms. Osborn stated how much their combined total of 40 years of state service is appreciated. The Certificate of Service recipients in attendance were: Pamela (Pam) Bostic, Technical Records Specialist 1, Taxpayer Accounting – 5 years; Patricia (PJ) Giles, Taxpayer Services Representative, Taxpayer Services – 5 years; Debra (Debbie) Pederson, Technical Records Specialist 2, Central Collection Bureau – 10 years; and Roxanne Lopez, Human Resource Officer, Human Resources – 10 years.

The Certificate of Service recipient not in attendance was: Megan Ellis, Technical Records Specialist 1, Audit Division – 10 years. She will receive her certificate later.

The Commissioners expressed their congratulations to all the recipients and how much they appreciate all of their hard work.

### **Business Requiring Vote of the Commission**

#### Minutes: Open Meeting – December 18, 2017

Commissioner Werk moved to approve the minutes of the open meetings held on December 18, 2017. Commissioner Trujillo seconded the motion. There were no comments or amendments. All voted in the affirmative and the minutes of the open meetings held on December 18, 2017 were approved.

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

## **Administrative Reports**

### Collection, Debbie Coulson

Debbie Coulson had no report.

### Public Information Director, Taxpayer Resources, Doreen Warren

Doreen Warren reported it is the beginning of the legislative activities as well as the tax filing season. Tax filing season officially begins for individuals on January 29 and businesses on January 8. In preparation for the tax filing season, they have worked with Revenue Operations to provide training to TPS staff, rewrite 50 paragraphs used in return processing to reflect our new Plain Talk approach, and they have refined refund messaging. The refund message is reflected on the website and in our new poster that is being distributed across the state.

Ms. Warren said that in preparation for the legislative session, they have prepared the legislative package, proposed rules, and outreach message. They are planning to meet one-on-one with each legislative member of the committees they present to at the Legislature. She noted that this worked well last year and they plan to expand on their visits this year.

Ms. Warren said her staff has been working closely with the Governor's Office to determine the state impact of the Tax Cuts and Jobs Act. She reported that the Plain Talk training is moving along well, classes are filling up fast and they are hearing positive feedback on the training. To date, 51 Tax Commission employees have received the training.

They are making progress on updating their publications on the website, and have four completed with six more in the final approval process. She is also pleased to report that the New Business training module is in its content review stage with the subject matter experts and they are on target to roll it out by the end of the January. She said historically they had a class known as the "Right Track" class or sales withholding class for new businesses. They do training at the field offices and in Boise. Ms. Warren said they have taken the opportunity to evaluate their process and have been working to modernize it to make it more streamlined for new businesses. On a final note, Ms. Warren said the Tax Commission's Annual Report is complete and available for those who are interested.

### Revenue Operations, John Bernasconi

John Bernasconi reported that the IRS released their start dates for electronic filings; business income tax returns can be filed Monday, and individual income tax returns can be filed on January 29. He said that doesn't mean they will start seeing 2017 business income tax returns on Monday because the IRS has not released their forms yet. They will turn the system back on and we will continue to get the 2016 business income tax returns again. Mr. Bernasconi said as a closeout, for Individual Income Tax (IIT) returns we received 698,545, which is 2.2% more than last year. We received 150,570 paper IIT returns, which is about 1% less than last year. Overall 849,115 IIT returns were received which is an increase of 1.62% which is very close to the estimate given by Bureau Chief Chris Barry of 850,000. Mr. Bernasconi said at the last open meeting he reported that they were switching to printing booklets in house for IIT returns. They have completed an analysis of that and per booklet cost is about 40 cents more, but because of minimums they had to order before, they will still be saving \$8,000. Last year there were six pallets of booklets that were shredded because they had to order the minimum amount allowed for printing. This also allows them to be able to print on demand.

Management Services, Mark Poppler

Mark Poppler reported that the State of the State Address is scheduled for Monday which means Department of Financial Management (DFM) will send agencies all of their detail that morning. There will be a meeting Monday afternoon to discuss what is in the Governor's recommendation for our budget and what if anything was not recommended.

Mr. Poppler said he received an email from Steve Allen who is a Security Officer in IT, that the new state land wide area network contract is going to save agencies quite a bit of money. The Tax Commission will be saving \$1,900 per month, which is about a 20% reduction. Chuck Pond as if there will be any other changes as far as how much time and space that we have? Mr. Poppler said the change will bump Pocatello to 10 MB from 6 MB but he is not sure about how it will affect other locations.

Mr. Poppler said this is the time of year, even though we are going into January with a record high amount in the refund fund, we will still go to the Board of Examiners in about a month to get permission to borrow in case we have to. Mr. Poppler said we have not released the December numbers yet, but Revenue Operations did have a record day in the OCR receipts, which are the ones that come in paper. He said we don't know what it will do to the refund fund, we presume some of it is because of the tax law changes on the federal level. John Bernasconi said we had twice the number of estimated payments come in, but from the same number of taxpayers. It appears they just accelerated their next estimated payment into 2017. Commissioner Werk said it sounds more like a timing issue, we aren't getting more revenue, we are just getting it earlier. Mr. Bernasconi said we don't know if we are going to have an increase in revenue, but we do know that the estimated payments were higher than anticipated in quantity. He said they are anticipating the April bump just slid over.

Mr. Poppler said the travel and convention changes are on schedule and they are anticipating having the changes ready on the form through the Taxpayer Access Point so taxpayers can go to file their returns electronically.

Tax Appeals Manager, Michael Chakarun

Michael Chakarun had no report.

Audit Division, Randy Tilley

Randy Tilley reported they have the final numbers for the 2017 calendar year for fraud, which have not changed since last month. He said we confirmed fraud has gone down compared to the previous year but there are still a significant number of returns that we have not received any responses to. We will continue to hold those returns until we receive a response and then we can release the refunds once identification has been verified.

In calendar year 2017, they have completed 20,051 audits with \$59,761,797.16 in recoveries. The most significant type of audit were CP2000 federal adjustments that impact Idaho returns. There were over 7,000 audits related to CP2000, which has been automated to make it as efficient as possible. Mr. Tilley said we may need to start working with the Taxpayer Resources Unit to find a way to stop the audit process and get them to file the amended returns in the first place. That would be the most beneficial thing for the state and reduce our necessity to go after those who have not filed those federal adjustments.

Mr. Tilley said on the fraud side of things, they are preparing for the upcoming filing season and have verified the new fraud plan which is in production. All of the letters are ready to go, so as soon as Revenue Operations starts processing returns they will be run through the fraud manager

to identify suspicious returns. Commissioner Werk said there are still a number of returns where the taxpayer has not responded, so we will hold the funds until we can confirm their identities. We don't know if those are fraudulent returns or not, we can't know until they are verified. Mr. Tilley said that is correct, when we are suspicious of a return we are going to stop and make sure it is a valid return and that the taxpayer is the person who should get the refund. He said they recognize that a significant portion of the refunds could be sent out if taxpayers would verify their identity. There are also a portion of those refunds we have stopped that we don't have sufficient information to confirm they are fraud but we have a very high belief they are fraud, just not enough to put them in the confirmed fraud category.

#### Property Tax Division Administrator, County Support, Steve Fiscus

Steve Fiscus reported there was recently a request from the press asking for the amount of business personal property and what the property taxes being paid on that are. He said in order to do this clearly and precisely in the future, we need definitions of what is business personal property. Mr. Fiscus said we have a broad and a narrow number based on what definitions we think are broad and narrow, so we will be providing that information to the requestor.

Mr. Fiscus said they are finalizing annexations for taxing districts that annex property during the year. These come into the Geographic Information Systems (GIS) Department for the 2018 valuations where they can levy. He noted that winter school begins on Monday so the conferences rooms will be very busy.

Mr. Fiscus said as a note of interest, taxpayers are going into County Tax Collector's offices wanting to prepay their taxes for the future. He said they initially thought people were just paying both halves, the June payment which is really a 2017 tax due in 2018. They found out that wasn't what people were trying to do, people actually wanted to pay ahead on their taxes. The Counties have the ability statutorily to take those payments, but the payer cannot deduct that from their income tax for 2017 because the tax has not been assessed yet.

There were no more administrative reports.

### **Reports on Rules Committees**

#### Product Tax Rules – Committee Chair, Don Williams

Don Williams, Product Tax Rule Committee Chair, had no report.

### **Other Business**

There were no items of other business.

### **Public Comments**

Commissioner Katsilometes asked if the guests in attendance had any comments.

There were no public comments.

### **Executive Session**

Commissioner Werk moved to go into 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. Commissioner Trujillo seconded the motion. A roll call vote was taken by Kelly Martinez,

Administrative Assistant and Commissioners Katsilometes, Trujillo, and Werk all voted in favor and the motion passed.

The Commission met in Executive Session with its legal counsel pursuant to Idaho Code § 74-206(1)(f) to discuss the current status of litigation to which the Commission is a party. No matters requiring a vote of the Commission resulted from the Executive Session.

**Public Session**

Commissioner Katsilometes declared the Executive Session ended and returned to the public session. There being no further business, the meeting adjourned.

Kelly Martinez

Tom Katsilometes