

# IDAHO STATE TAX COMMISSION

## COMMISSIONERS' OPEN MEETING MINUTES OF MEETING FEBRUARY 14, 2018

In attendance: Commissioners Ken A. Roberts, Tom Katsilometes, and Janet Moyle, Mark Poppler, Debbie Coulson, Steve Fiscus, Michael Chakarun, John Bernasconi, Randy Tilley, Doreen Warren, Chuck Pond, Renee Eymann, Roxanne Lopez, Rod Brevig, Glenda Smith, Phil Skinner, and Kelly Martinez.

Guests: ISCPA Executive Director Laura Lantz  
Peter Stegner from Riley Stegner and Associates

### **Public Session**

Commissioner Ken A. Roberts convened the open meeting and welcomed all those in attendance.

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

Roxanne Lopez, Human Resources Officer, acknowledged the employees receiving a Certificate of Service. Ms. Lopez stated how much their combined total of 60 years of state service is appreciated. The Certificate of Service recipients in attendance were: Greg Busmann, Tax Audit Manager, Income Tax Audit – 20 years; and Christopher (Chris) Eaton, IT Network Analyst, Senior, IT Infrastructure – 20 years.

The Certificate of Service recipients not in attendance were: Denise Alexander, Tax Auditor 3, Twin Falls Field Office – 10 years; and Kevin Davis, Tax Audit Manager, Fuels Tax Audit – 10 years. They will receive their certificates 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 – January 5, 2018

Commissioner Moyle moved to approve the minutes of the open meetings held on January 5, 2018. Commissioner Katsilometes seconded the motion. There were no comments or amendments. All voted in the affirmative and the minutes of the open meetings held on January 5, 2018 were approved.

#### Forestland Values for Assessment Year 2018 – Rod Brevig

Rod Brevig, Forestland Tax Administrator, presented the 2018 Forestland Values for the State of Idaho to the Commission and recommended the Commission adopt the Forestland Values for 2018 to be used for assessment purposes. Mr. Brevig also reviewed a brief explanation of the recent history of Idaho's forestland values and acknowledged the four forestland value zones in

Idaho. Mr. Brevig said back in 2012 you could see the influence of the great recession was going to be dramatic for forestland values. The Committee on Forest Land Taxation Methodology (CFTM) met and formulated a plan that projected values through 2022 according to the requirements of House Bill 357. House Bill 357 requires a few things, one of them is a flooring of the forestland values of 2011 and there would be a 30% cap once forestland values came up through that floor. In the 2022 projection, the two zones that came up above the flooring in 2017 (zone 2 and zone 4) will just touch that 30% cap. Mr. Poppler is interested in the number of mills operating and if there has been a change since the last presentation. Mr. Brevig said the mills that were old have pretty well gone by the wayside now, there are not many left. It just demonstrates the fact that less owners are willing to invest millions of dollars of upgrades and they just aren't able to compete. Commissioner Katsilometes moved to approve the 2018 Forestland Values for assessment purposes. Commissioner Moyle seconded the motion and it passed unanimously.

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 that we are in the legislative season. Each legislative recommendation in our package has been heard and has passed the initial hearings. All of the rules have passed with the exception of Rule 013 for Road Materials, which will be heard this afternoon at 3 p.m. Ms. Warren said the Governor signed Tax Year 2017 conformity which means that except for our normal decoupling provisions, the provisions of the federal law that were in place as of December 21, 2017 are now included in Idaho law. Provisions of the federal law that were enacted **after** December 21, 2017 are not included in the tax year 2017 conformity. We are also working with the Governor's office to help them implement appropriate action to deal with the federal provisions enacted in the Bipartisan Budget Act of 2018 on February 9, 2018. Ms. Warren said that as we did last year, we are providing feedback on legislative proposals to ensure our agency can administer the ideas if they become law.

Ms. Warren said tax season is in full swing and our marketing plan is in place including:

- Promoting the refund progress graphic
- Where to find free income tax preparation help
- How to get the grocery credit even if you don't need to file an income tax return
- How preparers need to be on guard to protect client information

She said they have received 17,538 taxpayer calls to date which is an increase of 1,445 over last year's calls. This may be due to taxpayers filing earlier this year than last year. "Where's My Refund" calls are beginning to pick up and they will continue to monitor those calls. They have had 2,402 walk-in customers, which is 159 less than last year. This decrease may be due to taxpayers being able to upload identity verification documents using TAP and so no longer needing to drop off the documentation.

Commissioner Roberts said there are some provisions that were in that budget bill that was passed last Friday that are not picked up in our conformity bill so we may have to have a second

conformity bill for 2017. Commissioner Roberts asked Ms. Lantz if any information had been disseminated in the Idaho Society of Certified Public Accountants newsletters. Ms. Lantz said she is hoping to give a positive message with an estimated date of when new conformity issues will be acted on by the Legislature, so she is waiting to send that out until she has all of the information. Ms. Lantz asked if returns are filed and finished, will they just have to look at any of the things changed on February 9 and file an amended return. Ms. Warren said yes, typically the software programmers will package what they do know and then anything specifically dealing with those provisions effective after December 21, they will hold off on that programming. She said we will rely on the preparers to hold off on those returns until all new provisions are included.

#### Revenue Operations, John Bernasconi

John Bernasconi reported that filing season has started and they are up quite a few returns over last year. As of last Saturday, there are 151,000 returns that have been filed electronically, which is considerably higher than last year when there were 63,000 filed at this time. He said refunds are being processed, they have started getting Form 24 (grocery credit only) refunds out the door. This year for the first time ever they received over one million W2s filed electronically. The real effect for us is it allows our fraud detection process to happen more quickly which means refund processes are accelerated.

Mr. Bernasconi said there was a change last year for the short-term marketplace which required companies that may not exist in Idaho but facilitate rentals in Idaho to file with us and report by county. He said we have changed both our paper system and online system and as of this morning everything is up and running. Hopefully we will see an increase in filing and especially in electronic filing. Mark Poppler asked if Idaho has passed a mandatory filing of electronic W2s for certain business sizes. Mr. Bernasconi said the federal standard is greater than 250 W2s, we mirror that in our communication. Randy Tilley asked what are our requirements for filing of 1099s. Mr. Bernasconi said they have to file their 967 reconciliation by January 31, and include any 1099 that has withholding on it but there is no electronic filing mandate on them. Ms. Warren said the disconnect between the 1099 due date and the W2 due date goes back to the federal requirements.

#### Management Services, Mark Poppler

Mark Poppler reported that budget setting is coming up on March 8, which is the second to last day that JFAC will be setting budgets. He noted that 20% of all of the money we get for income tax (individual and business) goes into the refund fund to pay refunds. The refund fund topped out at \$205 million about a week ago, but has started a steep slide the last two days because we issued \$22 million worth of refunds. Last February we issued about \$80 million and in March we issued \$106 million. It looks like we may be on that same trend this year.

Mr. Poppler said in our budget we have some spending authority requested to perhaps collect Idaho Falls Auditorium District tax in the coming year. About two weeks ago, we also heard from the Chubbuck/Pocatello Auditorium District that they were interested in perhaps discussing collecting their tax as well. Mr. Poppler said in both cases, the short-term rental is probably playing into that because they don't really feel they have the mechanisms locally to identify and collect from all of those short-term rental marketplaces.

Yesterday there was a meeting with Linda Miller who is the State's property lease manager to discuss the Pocatello office move. There has been an RFP issued and this meeting was to discuss that process and Mr. Poppler reported good progress was made.

Commissioner Roberts said we should keep an eye on the refund fund after July 1 because that is when that fund is swept into the general fund. Mr. Poppler said at the end of the fiscal year, any monies over \$1.5 million go back to the general fund. With the accelerated payments we saw in December and January because of the tax law change, we are not sure how much will be refunded and when. Commissioner Roberts said as we get closer to that time, if we do need to go back to the Board of Examiners for money to shore up the refund fund, we want to give them enough notice.

Tax Appeals Manager, Michael Chakarun

Michael Chakarun had no report.

Audit Division, Randy Tilley

Randy Tilley reported that with processing comes fraud reviews and they have sent out over 5,000 letters so far. One significant change they have made from last year is they are sending out more personal identification number (PIN) letters, which result in faster verification for the taxpayer. Taxpayers validate their identification by simply going to the Taxpayer Access Point (TAP) and entering the letter number and expected refund amount. That has allowed Audit to reduce a significant number of identification verification letters, which have required the taxpayer in the past to submit copies of documentation for verification. They have also added a feature in TAP that allows taxpayers to scan documents and load those right into that identification verification process. Mr. Tilley reported that part of the reason Ms. Warren's phone call statistics were increased was probably due to an issue in Audit. On the PIN letters, the system did not grab the correct refund number. However, Audit was able to take those calls from Taxpayer Services to verify their identities. They were also able to fix that issue within 24 hours.

Property Tax Division Administrator, County Support, Steve Fiscus

Steve Fiscus gave an update on the UAD web project, which is a web-based software they have been developing. He said it will be going live in three counties and one of those counties, Bannock County, had a crash in their system about a year ago so they are migrating to our system. He said Alan Dornfest is reviewing the ratio studies as they are coming in from the counties, many are out of compliance for being too low because they are not between 90-110% of market value. This is the time of year that the counties have the opportunity to correct that, so that by the time they send out notices in June they are at market value. Mr. Fiscus said it is going to be a busy year working with the counties to get those categories back in compliance. Commissioner Katsilometes asked if there were any counties that were too high on the ratio studies and Mr. Fiscus said no, they were all too low.

There were no more administrative reports.

**Reports on Rules Committees**

There were no reports on Rules Committees.

**Other Business**

There were no items of other business.

**Public Comments**

Commissioner Roberts asked if the guests in attendance had any comments. There were no public comments.

**Executive Session**

Commissioner Katsilometes 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. A roll call vote was taken by Kelly Martinez, Administrative Assistant and Commissioners Roberts, Katsilometes, and Moyle 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 Roberts declared the Executive Session ended and returned to the public session. There being no further business, Commissioner Moyle moved to adjourn the meeting and Commissioner Katsilometes seconded the motion. All voted in the affirmative and the meeting adjourned.

Kelly Martinez

Ken A. Roberts