

# IDAHO STATE TAX COMMISSION

## COMMISSIONERS' OPEN MEETING MINUTES OF MEETING MARCH 7, 2018

In attendance: Commissioners Ken A. Roberts, Elliot S. Werk, Tom Katsilometes, and Janet Moyle, Mark Poppler, Debbie Coulson, Steve Fiscus, Michael Chakarun, John Bernasconi, Randy Tilley, Doreen Warren, Chuck Pond, Alan Dornfest, Renee Eymann, James Pendergrass, Glenda Smith, Phil Skinner, and Kelly Martinez.

Guest: ISCPA Executive Director Laura Lantz

### **Public Session**

Commissioner Elliot Werk convened the open meeting and welcomed all those in attendance.

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

James Pendergrass, Human Resources Performance Development Specialist, acknowledged the employees receiving a Certificate of Service. Mr. Pendergrass stated how much their combined total of 80 years of state service is appreciated. The Certificate of Service recipients in attendance were: Alexandria (Alex) Creechley, Tax Compliance Technician, Boise Field Office – 5 years; Clint Howells, Tax Auditor 3, Fuels Tax Audit – 10 years; Saunya Prisock, Technical Records Specialist 2, Resource Team – 10 years; Dean Phelps, IT Systems Integration Analyst, Senior, IT Infrastructure – 20 years; and Steve Thimsen, Program Supervisor, Coordination and Automation Bureau – 30 years.

The Certificate of Service recipients not in attendance were: Christopher (Chris) Thornton, Tax Technical Unit Supervisor, Image and Data Management – 5 years. He will receive his 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 – February 14, 2018

Commissioner Katsilometes moved to approve the minutes of the open meeting held on February 14, 2018. Commissioner Roberts seconded the motion. There were no comments or amendments. All voted in the affirmative and the minutes of the open meeting held on February 14, 2018 were approved.

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

## **Administrative Reports**

### Collection, Debbie Coulson

Debbie Coulson reported that the Collection Division is working to convert their procedure manuals from one system to another to address security concerns from IT.

The review team for the Pocatello Office request for proposals have narrowed the search down to two properties and they are reviewing those options. The leases for the Twin Falls and Coeur d'Alene field offices expire this year and they are in the process of renewing those leases. Ms. Coulson wanted to give a big "thank you" to the staff at the Pocatello Office who went without heat in the office for a couple of days last week.

Ms. Coulson said that staff from the Collection Division attended the annual Federation of Tax Administrators "Compliance Conference" last week. She said during the conference, Dedra Platt from the Kansas Department of Revenue gave a brief update on how they are moving forward after the September shooting of one of their revenue agents.

Ms. Coulson reported that the Phone Power unit recently implemented a new process that will upload a limited note to collection cases that receive calls through our predictive dialer. This new process will help us better identify our attempts to contact taxpayers. Phone Power has handled 61,688 dialer calls, 72,463 outbound calls, and 55,383 inbound calls so far in Fiscal Year 2018.

Ms. Coulson reviewed the year to date collection recoveries, which is a total of \$80,785,310.94 and is an increase of \$6,155,054.24 from last year. There have been 61,247 collection cases created and 70,092 collection cases closed year to date.

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

Doreen Warren had no report.

### Revenue Operations, John Bernasconi

John Bernasconi reported that the processing season is well underway with approximately 337,000 Individual Income Tax (IIT) returns so far. Electronically filed returns have increased by about 14,000 this year and paper returns have increased 1,000 over last year. He said refunds are going very well and they are not getting a lot of negative feedback. Mr. Bernasconi said "Where's my refund" calls seem to be consistent and they have issued 2,600 more refunds over the same period last year. He reported the average refund is \$606.

Mr. Bernasconi said they are currently reviewing some Taxpayer Access Point (TAP) security functionality as when it was initially rolled out we made the decision to make it as easy as possible for taxpayers to get online to file and pay. He said TAP is getting a lot of usage and they have added a non-login transaction Quick Pay process to allow people to pay without creating an account. He said they are considering requiring an answer to a verification letter before a taxpayer can open a TAP account. Therefore, if someone wants to open a TAP account, the first thing we would do is send a verification letter to close an avenue of potential fraud.

### Management Services, Mark Poppler

Mark Poppler reported that the Tax Commission's budget setting is scheduled for tomorrow morning and we are anticipating that the Governor's recommendation is probably what will be approved. He said the actuals for February have officially been released this morning and Derek Santos will issue his official numbers soon. Mr. Poppler reported that February was another

strong month and even though we paid \$15 million more in refunds than we did last year in February, the forecast shows strong revenue.

Mr. Poppler said the first service pack after upgrading to Version 10 is being studied by the *FAST* consultants and will be ready to roll into the test environment this week. Mr. Bernasconi thanked Mark Poppler for his time as the Interim IT Manager and said the level of support they have received has been great.

#### Tax Appeals Manager, Michael Chakarun

Michael Chakarun reported that his report only includes cases handled by the appeals group; it does not include any cases handled by the Deputy Attorney General staff. There were 261 cases in inventory at the end of February with an average age of 403 days per case. The composition of the inventory included 191 income tax cases, 53 sales tax cases, 13 circuit breaker cases, and four from other tax types. Mr. Chakarun said they have issued decisions on 60 of the 261 cases and those will remain in the inventory count for 91 days. This is the period where the taxpayer can choose to appeal the decision to either the Board of Tax Appeals or District Court. If that taxpayer does not appeal within that 91-day period, Appeals closes the case. He said the average age of the 60 cases was 391 days.

Mr. Chakarun reported there are 201 active cases with an average of age of 406 days. Included in the active case count are 10 cases that are before the Board of Tax Appeals which include five circuit breaker, two sales and use tax, and three income tax cases. Mr. Chakarun said during the first eight months of the fiscal year, they have closed 294 cases with an average age of 398 days. Commissioner Werk said the amount of cases in the inventory seems lower than it has been before. Mr. Chakarun said that is correct, they started with almost 400. He said part of the difference is the fact that they work on appeals only now, which lets them focus on getting cases resolved.

#### Audit Division, Randy Tilley

Randy Tilley reported that they have been doing surveys of completed audits for the last several years and they just finished the latest one from the period of October to December. The results are very consistent with what they have seen in their past surveys. The survey asked questions such as was the representative courteous, informative, and did they respond quickly to correspondence. They also asked if the procedures were clearly explained, were the reports easy to understand, and did the taxpayer receive information about their rights as a taxpayer. Mr. Tilley said they were over 96% in the first seven categories. That is consistent from what they have seen in past surveys. He said they were at almost 90% for those that agreed or strongly agreed with those statements in the area of easy to understand report, understanding of the law and rules, and receiving taxpayer rights information. He is not sure why receiving taxpayer right information is not 100%; he knows for a fact that every Notice of Deficiency has taxpayer rights attached when it is sent out. As far as ease of understanding reports, they understand it is a challenge to understand law and they are encouraging staff to attend trainings to implement Plain Talk.

Mr. Tilley said that they are still in the early stages of fraud detection. They have identified six fraudulent returns, five of which were fraud and one was identity theft. They have stopped refunds in the amount of \$15,684 from going out. He said the one identity theft was from an individual trying to perpetrate fraud from an IP address in Nigeria.

Mr. Tilley said they have sent out almost 15,000 identity verification letters and received 6,400 responses, which is typical given that they still have a number of days to respond.

Commissioner Roberts said that seems like a significant increase from last year. Mr. Tilley said they were a little concerned when they saw so many letters going out early on, but there were a lot of returns coming in during that time. The levels of letters are following the levels of returns being received. Doreen Warren added that when Mr. Tilley added the ability for taxpayers to upload identifying information online, it has been a good customer service initiative because it has kept a good deal of people from having to go into the office. Mr. Tilley said right now about 40% of the people who received identification verification letters requiring documentation are using the TAP upload feature.

Mr. Tilley said in the month of February they have completed 1,883 audits and cases. He said they resolve a vast majority of those within the audit division. As far as recoveries, they had \$3.7 million for the month of February with \$31,300,000 in total recoveries for the year.

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

Steve Fiscus said that last month he reported incorrectly on the number of counties that were out of compliance with their ratio standards, he said it isn't as bad as he reported. He gave an update on the migration of Bannock County to our tax administration system software. Mr. Fiscus said the county is on the HP3000 computer system and they want to convert to get out of that system first. He said we will migrate them to another computer system and then convert them to the software.

There were no more administrative reports.

### **Reports on Rules Committees**

#### Property Tax Rules – Property Tax Rules Committee Chair, Alan Dornfest

Alan Dornfest, Property Tax Rules Committee Chair, reported that there has been a lot of activity in property tax rule development. He said all of our proposed rules have been accepted. There was one questionable area about using drones as part of the assessment process, and after that was answered the objection was withdrawn. In addition to five PARFs (requests for rules to the governor's office) being submitted, they have received, for the first time ever, a petition from a taxpayer for us to open a different rule in addition to the five already open. He said they are considering the petition and will soon be opening rules for negotiated rule making. Mr. Dornfest said once legislation is complete, they expect four or five additional rules. It has been a pretty busy season with 10 to 12 rules that need to be looked at this year. He said he is not sure if the circuit breaker veterans' provision will require rules and the timber bill, assuming it becomes law, mandates that we will have rules to establish procedure for when the classification of the timberland is permitted to change in the future. There is a complicated procedural bill on cemetery district consolidation that, if passed, will definitely need rules. Mr. Dornfest said there is a provisional exemption bill that has passed the House and is in the Senate. He said we will need a temporary rule for refund provisions if that one becomes law.

Mr. Dornfest reported the Property Tax Rules Committee will be meeting in early April. He said they should know by that time how many rules they will be addressing. Commissioner Katsilometes mentioned there will be an interesting Committee on Forest Land Taxation Methodology (CFTM) meeting the third week in April. He also said there will be a capitalization rate meeting next week on Wednesday at 9 a.m. Commissioner Werk said he heard a piece of the debate yesterday on the Senate floor about the timber values and there seemed to be some

inaccurate understanding about how often the CFTM group meets. The statement was made that they have met once since 2011 but that is not accurate. He said they meet at least annually if not more. Mr. Fiscus said that sometimes the meetings are not always face to face like this meeting, they are often over the phone or communicated through email.

Commissioner Moyle asked Mr. Dornfest to give a quick rundown on the provisional exemption bill. Mr. Dornfest said the bill provides that if you were building a church, for example, since it isn't built, it isn't a church right now so maybe it should be taxed. Then later on when it was being used for the exempt purpose, it would not be taxed. This bill would forbid that sort of activity and the bill is retroactive effective date to January 1, 2016. Mr. Dornfest said taxpayers, at their discretion, would be able to apply for a refund of the taxes they paid assuming they reached their legitimate exempt functions. The county would pay those refunds and pass along proportionate shares back to each taxing district. He said this law forbids taxing districts from levying to make that up so the taxing districts will be out the money. This means that in our rules we would have to write some procedures for subtracting that from the taxing district budgets.

There were no more Rules Committees reports.

#### **Other Business**

There were no items of other business.

#### **Public Comments**

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

Kelly Martinez

Elliot S. Werk