

IDAHO STATE TAX COMMISSION

COMMISSIONERS' BUSINESS MEETING MINUTES OF MEETING JANUARY 24, 2023

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, Lisa Palmer, Julie Eavenson, Aaron Yost, Lisa Kopke, Evan Sailor, Kim Wind, Rick Mascall, George Brown, Rhamona Grabenstein, Phil Skinner, Tom Shaner, Rod Brevig

Public Session

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

Recognition of Certificates of Service

Chairman McCray recognized Rhamona Grabenstein, Human Resource Officer to present Certificates of Service for the following employees.

Dawn Bird, Technical Records Specialist 1, Revenue Operations/TA, IIT, 5 years; Cheryl Parker-Hall, Program Specialist, Compliance, Boise Field Office, 10 years; Patricia (PJ) Giles, Taxpayer Services Specialist, Taxpayer Resources/TPS, 10 years; Richard Mascall, Division Administrator, Revenue Operations, 10 years; David Perdue, Research Analyst Compliance, Field Collections, 15 years; Robert Rios, Consulting Appraiser, Property Tax, Twin Falls, 15 years; April Kooch, Tax Automated System Specialist, Compliance, Administration, 20 years; Keven Griffin, Tax Audit Manager, Audit, Sales Tax, 25 years; Toni Nash-Jackson, Administrative Assistant 2, Management Services, 25 years.

Chairman McCray thanked everyone for these 135 combined years of service. It is outstanding and a testament to this agency that people want to continue working with the Tax Commission. Commissioner Katsilometes commented it is also interesting that people return to the agency after leaving for other opportunities.

Business requiring a vote of the Commission.

Minutes: Regular Business Meeting – October 18, 2022, Special Business Meeting – November 2, 2022, Idaho Economic Estimates Commission – December 12 and 15, 2022.

Commissioner Moyle moved to approve the minutes of the Business Meeting held on October 18, 2022, the Special Business Meeting held November 2, 2022, and the Economic Estimates Commission Meetings held December 12 and 15, 2022. Commissioner Zwygart seconded the motion. There was no discussion; all commissioners voted aye, and the minutes of the Business Meeting held October 18, 2022, the Special Business Meeting held November 2, 2022, and the Economic Estimates Commission meetings held December 12 and 15, 2022 were approved.

Chairman McCray acknowledged that the Forest Land Values presentation is postponed briefly and called for the first administrative report presentation.

Administrative Reports

John Bernasconi, Chief Operating Officer

Mr. Bernasconi reported that the Tax Commission's budget presentation was last week. There were two supplemental items, one for FAST Collection Services, and one for the Revenue Operations Imaging for \$1.2 million and \$1.3 million, respectively. There are six (6) line items: the ongoing costs for FAST Collection Services at \$550,000; ongoing costs for the imaging system at \$125,000; three full-time positions in Taxpayer Services; Tax Drive Temporary Employees at \$475,000 (which is about \$0.52 per hour per current classified full-time position and is what current staff are functionally paying in lowered wages to have the temporary

employees.) The Commissioner's 4% change in employee compensation (CEC) is a line item as a placeholder. This is the first year to report this as a line item on the budget. The Division of Human Resources (DHR) consolidation was added into the budget which consists of the removal of six full-time positions (the current Tax Commission human resources staff) with a net savings to general fund costs of \$135,000. DHR will present their whole package, but the Tax Commission will retain current levels of service and save \$135,000. Additionally, there is a request for reappropriation authority for the imaging system. The committee asked several questions, and the answers will be sent as soon as possible.

The next employee meeting is scheduled for April 6 and Julie Eavenson, Public Information Director, has taken over coordination and preparation. This will provide a better opportunity for employee participation in the planning process.

Mr. Bernasconi shared the progress of the Agency Strategic Initiatives. Sharlene Davis has accepted the position of Operational Excellence Coordinator and a new Research Analyst has been hired to fill her recently vacated position. Evan Sailor, Compliance Division Administrator, continues to develop a centralized training system for the agency. Aaron Yost, Government Affairs Program Manager is developing dashboards that will help with understanding available data to make processes better. Rhamona Grabenstein, Human Resource Officer, is coordinating the next employee engagement survey hosted by Gallup. The Tax Commission turnover rate is still high and appears to be primarily due to starting wages. Since July 1, 2022, of the 56 staff that have left the Tax Commission, 14 people went to other state agencies citing wages as the reason for their departure.

Taxpayer Resources reports call hold times are averaging approximately 14 minutes; the goal is 8 minutes. A point of emphasis has been to have the lowest taxpayer contact possible, or self-cure. The first step was to implement the taxpayer access portal (TAP) to allow people to interact online. Last month, there were 71,656 returns and payments through TAP. That is a great opportunity for taxpayers to take care of things themselves and he really appreciates that effort.

Chairman McCray asked if this will be the last opportunity to hold the annual Gallup survey on the current contract. Mr. Bernasconi said yes.

2023 Forest Land Values

Chairman McCray recognized Mr. Rod Brevig, Tax Commission Forester to present the 2023 Forestland Values. Mr. Brevig provided the proposed values to all stakeholders and solicited comment. He's received none. He reviewed the comparison between past values and 2023 values. In 2021, a new productivity valuation system was implemented for forest land values, so it only incrementally changes based on a 5-year rolling average. This system is like the one used to index bare land and yield values. Mr. Brevig reviewed the forest value zones for good medium, and poor zones. There is again a minimal difference from 3% to -2% change from year to year. The preliminary indicators are that the coming year will be similar. Finally, he's included the memorandum that will be forwarded to interested stakeholders if the Commission adopts these values.

Commissioner Katsilometes moved to approve the 2023 Forest Land Values as presented. Commissioner Zwygart seconded the motion. There was no discussion; all commissioners voted aye, and the 2023 Forest Land Values were accepted.

Administrative Reports - continued

Lisa Palmer, Appeals Manager

Ms. Palmer reported that there is an Appeals Resolution Meeting January 25 at 1:30 p.m. and another on February 15, 2023, also at 1:30 p.m.

There are currently no active projects in Appeals; however, she will be meeting with the new Audit Business Analyst to create an Appeals Case Manager report. Robert Foster promoted into an Audit Bureau Chief position and Isaac Joyner was hired as a Business Analyst to fill Mr. Foster's vacant position. She's waiting to

meet with Mr. Joyner until he has had an opportunity to learn what they're asking and how best to help meet their needs.

Appeals currently has 279 open cases and they've closed 234 cases. The average age of an appeals case is 240 days. Appeals doesn't have any vacancies, having just hired Meg Inouye into Appeals. Steve Wynn retired from Appeals in 2019 but has returned part-time to help with some multistate cases. Ms. Inouye will also work on multistate cases as well as a variety of individual income tax cases.

They are still feeling the effects of House Bill 481 passed during the last regular legislative session and dealing with circuit breakers. Appeals has closed 52 circuit breaker cases, but there are currently 15 cases before the Board of Tax Appeals. They're waiting on those decisions, but there are still a few hearings pending as they try to catch up from this bill being enacted.

The Income Tax Appeals specialists are averaging 44 cases per specialist and the Sales Tax specialists are averaging 24 cases each.

Commissioner Katsilometes clarified the number of open cases versus closed cases in Appeals. Commissioner Zwygart asked about the average age of 240 days that cases are open. Ms. Palmer replied that it's less than what they've previously averaged; in October, it was about 270 days. Commissioner Zwygart said he realizes that it's tough and they're doing a very good job to keep it lower.

Commissioner Katsilometes asked if there are any corrections or updates on HB 481 that might indicate that more people could again qualify. Tom Shaner, Tax Commission Research Manager, was recognized and said they've received several questions for data from representatives discussing different ideas, but there's been nothing definitive. Chairman McCray asked if the Commissioners have any cases with outstanding decisions. Ms. Palmer replied there are some on the next Appeals Resolution Meeting agenda, but most were completed quickly. Chairman McCray asked if there is a time constraint in which these cases must be resolved. Ms. Palmer said no. Commissioner Moyle commented that HB 481 was a substantial change and as frustrating as it's been, she feels it could have been much worse.

Evan Sailor, Compliance Division Administrator

Mr. Sailor reported that Compliance currently has 20 open GenTax work orders; 11 are enhancements and 9 are errors. The outsourcing project to the Professional Credit Agency was expected to go live on January 1st, but some of the programming took longer than expected. Part of the delay was to build out programming for the daily electronic exchange of files and calculating the interest. The Tax Commission typically calculates interest monthly, but on payments, if they're receiving partial payment or full payment, they have to be able to calculate the interest daily to reconcile the books properly. They've been testing the daily exchange and expect to go live and start transferring files next week. The Electronic Levy (E-Levy) was in testing with Chase Bank and was put on hold. After next week, they hope to be able to begin that project again. When that testing is finished, they will begin work with USBank.

Mr. Sailor provided Compliance statistics for the fiscal year to date. As of Friday, they've created 56,000 cases and closed 65,000. The preference is always to close more than they open, so he's happy with those numbers. They are currently holding about 50,000 open cases. That consists of an accounts receivable balance of approximately \$190.2 million which is about average. They typically fluctuate between \$170 - \$190 million per day. It varies every day. They have recovered, to date, \$126.4 million. The biggest drivers are in individual income tax, with recoveries of \$44.5 million, sales and use tax with \$39.2 million, and withholding at \$22.1 million.

Compliance Division continues to build their training program. Every 3rd Thursday at 9:30 they have mandatory training; last week, they presented "How to deal with difficult customers." He thanked Steve Taylor, Tax Commission Training Specialist, for facilitating that training. Every Wednesday, Training Specialist Lynn

Howard conducts “Train-the-Trainer” sessions to involve more people to help with training delivery. They’ve identified one staff member in each Field Office, and Program Specialists in the Boise Office teach new Compliance Officer 1’s. They’ve identified and begun to train a withholding subject matter expert in each Field Office because there was only one person, located in the Boise office, to handle all withholding issues. The second group of tax employees is now AED/CPR certified. Those are two-year certifications. Additionally, Compliance continues to help Revenue Operations Division with withholding payments to keep those numbers down. They are still doing employee “shout-outs” where employees recognize coworkers on the Compliance Share Point site, and they are continuing their Employee of the Month recognitions. December’s Employee of the Month was Harmoni Rampton, from the Idaho Falls Field Office. After receiving the Employee of the Month recognition, Ms. Rampton was notified she had been selected as the newest Compliance Officer 1, promoting from Technical Records Specialist 1. Mr. Sailor congratulated her.

Compliance has approved hybrid telecommuting opportunities one to two days per week, depending upon availability and their ability to continue to provide services to the public. There are approximately 28 individuals in the Boise office that are interested in telecommuting, three in the Coeur d’Alene office, and three in the Idaho Falls office.

Rod Howard promoted to the Field Office Bureau Chief and Mark Knapp promoted into the Field Office Manager position that Mr. Howard vacated. Mike Stiffler promoted to Compliance Officer 2 in Pocatello, Tara Young promoted to Compliance Officer 2 in Boise, and Harmoni Rampton promoted to Compliance Officer 1 in Idaho Falls. The Division has hired four new Compliance Officer 1s in the Boise office; two have begun and two will start on February 6. They’ve also hired a new Technical Records Specialist 1 and a new Compliance Officer 1 in Twin Falls.

Commissioner Moyle asked how the rebates have helped the Tax Commission. Mr. Sailor said he doesn’t have those numbers here but can say they’ve had a significant impact. Commissioner Zwygart asked how telecommuting seems to be going for Compliance. Mr. Sailor said it is so new, there’s no feedback yet. The goal is to make sure there’s enough coverage in the office. There are mandatory office days for training and meetings. They hope this will improve morale while still providing the same levels of service to the public.

Mr. Bernasconi was recognized and highlighted that with Mr. Howard’s move into the Field Office Manager position, Robert Howe moved over to fill the vacant Boise Field Office Manager position.

Commissioner Katsilometes asked if the real reason for telecommuting is to build morale? Mr. Sailor said that telecommuting benefits the state of Idaho. Morale and employee performance is also beneficial. In three to six months, they will have gathered some statistics to see how well the practice is working and whether Compliance is working more cases or recovering more money. He doesn’t want to see a decline in performance. Commissioner Katsilometes said he’s in favor of it. Chairman McCray added that all telecommuting agreements have a performance component, too.

Chairman McCray said it’s good to have a culture where employees can grow within the agency and have opportunities. It’s one of the things he believes should be touted when recruiting. He shares that with the newly hired employees and encourages them to seek different disciplines and to gain experience elsewhere. He’s glad internal promotions. He also commented that when they interviewed Mr. Sailor for the Compliance Division Administrator, he never thought to get such a passionate trainer. He really appreciates the work Mr. Sailor is doing, not only for the Compliance Division, but for the whole agency with safety and security.

George Brown, Property Tax Division Administrator

Mr. Brown welcomed all the new employees in Property Tax. They’ve hired a new Consulting Appraiser, Sam Stone, from Canyon County. This position has been vacant for four years. Mr. Stone is a very experienced Industrial Appraiser, and they are glad he’s on board.

The Operating Property Division is still down one person, but they've hired an underfill appraiser. He's happy to have poached Tim Hurst from Compliance. It's great for someone to make a right turn in their career and not have to leave the building. He agrees with Chairman McCray that it's positive to offer opportunities for people in the building. Mr. Hurst is very qualified for an underfill position. He is a real estate broker and has a bachelor's degree. He will fit in well with that team.

They've also hired three new Software Engineer Is. Two have already begun and the third will start on February 6. There is a new GIS III Analyst that started a couple of months ago. There are over 300 annexations to do, and he's really helped with that.

The Property Tax Reduction (PTR) program integration into the GenTax Taxpayer Access Portal (TAP) went live January 3. He's very happy to report that about 100 people applied opening day from home. So far, the program has been successful on the front-side. The backside, which is the interface between the counties and the state Tax Commission, was rolled that out to the county two weeks after TAP went live. There are mixed reviews. He believes 90% of those reviews are because "something" changed. There have been no problems with the system, but people don't like change. Mr. Brown considers the whole project a blinding success. This is a model for what is to come in Property Tax. When this project is finished, they will ask for more things to be included in GenTax because it's a much better tool than a spreadsheet and a pencil. He appreciates Pamela Waters and her staff, and everyone in this room that has helped. They are very happy with this, and it will revolutionize customer service for PTR. So many people can now complete their applications at home. They anticipate, over the coming years, that more and more people will complete these from home which will take more pressure off the counties and off the state.

The Property Tax Winter School was held January 9 – 13, 2023. There were 422 registrations which is a notably large number. There's been one other school larger than that, the 2021 Summer School. Summer school is usually much larger, but for some reason, this Winter School exceeded all expectations. There are several things that could have contributed. They have great instructors and people will take classes just because of a particular instructor. The counties have experienced massive turnover, so there are a significant number of new appraisers and staff in the counties that need education. There is some backlog for certifications due to COVID, so some may have had to take a class to maintain their certification this year. All those things may have contributed to the increased registrations. There are 44 elected assessors; 11 attended Winter School, which is about 24%, and 31 of the assessor's offices sent staff.

Commissioner Katsilometes asked Mr. Brown to talk about the presentation Kathlynn Ireland, Property Tax Policy Bureau, gave to the House Revenue and Taxation Committee. Mr. Brown said the House Revenue and Taxation Committee this year chose not to hear regular business for the first couple of weeks of session, except for necessary agenda items. They emphasized training because 11 of the 14 members are new. Kolby Reddish, Deputy Attorney General assigned to the Legislative Services Office, and who was previously assigned to the Tax Commission, presented a Property Tax 101 for the House Revenue and Taxation Committee, then Alan Dornfest, Property Tax Policy Bureau Chief, and Ms. Ireland followed up the next day with a Property Tax 201 class with a bit more detail and statistical information. They've now been invited back to present on Urban Renewal.

Mr. Brown noted that they've also held their 2nd quarterly Property Tax open house. Taxing districts and counties wanted more access to the state Tax Commission to help close the communication gap. Property Tax instituted a quarterly open house that will be held throughout the state. The first was in November in Canyon County and it was well attended with 45 – 50 people. He believes it was successful because they had different people from different types of districts including the Eagle mayor, Parma Fire, county representatives and several small local taxing districts like the cemetery district. Mr. Brown provided a brief presentation on who they are and what they do for them, then opened the floor for about 90 minutes and let them ask questions. The discussion was wide-ranging but well received. Many Property Tax staff were present to answer questions. The next meeting will be February 9, at Chubbuck City Hall. They're hopeful that word gets out and more people show up for these Town Halls. They've had requests for online meeting platforms, and he's resisting that because of the interaction

gained in an in-person meeting. Mr. Brown and his staff will travel to them, in their districts. They would like this to be a personalized event so districts can come in and ask questions. Perhaps in the future they may consider an electronic element, but for now, they will not. Many of the people in the room were glad it was in-person and that the staff were focused on them.

Annual Budget and Levy training is coming up, as is the Annual Board of Equalization (BOE) training. Each of those will have six to nine stops around the state. Budget and Levy training is for local governments, and BOE training is for county commissioners. Mr. Brown and Matt Virgil, Consulting Appraiser Supervisor, conduct the BOE training, and Alan Dornfest, Kathlynn Ireland, and Ben Seloske, Property Tax Policy Bureau Analyst, conduct the Budget and Levy training. Those will likely occur in March and April. Commissioner Katsilometes noted that the Idaho Association of Counties have their annual training next week, too. He added that Mr. Brown and Mr. Bernasconi have done a good job with getting the new employees hired into Property Tax. Mr. Brown said that they've not had eligible candidates applying, but there were 14 – 15 applicants for the last four or five Software Engineer positions and at least half were good candidates. He said it seems the market is opening, and he hopes that's because of the way the Operations Leadership Team is marketing the Tax Commission.

Chairman McCray asked Mr. Brown to comment on the maps provided prior to the meeting by Jeff Middleton, Property Tax Education Manager. Mr. Brown said Mr. Middleton sent a map of certified appraisers and certified cadastral specialists showing how many are certified in each Idaho county. They emailed an update so the Commissioners can see the numbers in each county. Those certifications are the reasons for Summer and Winter schools; the Tax Commission is statutorily required to conduct these two schools to provide education so people can maintain their certifications. Cadastral Specialists don't need to be certified, but appraisers must be certified to sign off on appraisals. There were nine Property Tax Division registrations in Winter school this year. If anyone in the Tax Commission wants to take a class in either Winter or Summer schools, please let him know. They're inexpensive and the trainers are highly qualified. There are non-property tax classes, and they would love to have more people from the Tax Commission in these classes. Commissioner Moyle said they can use that to get people to apply for Property Tax positions. When she was hired in Jefferson County, it was because she knew Microsoft Office.

Rick Mascall, Revenue Operations Division Administrator

Mr. Mascall started his report with statistics. He had hoped to report that they'd processed one million individual income tax (IIT) returns this year. They didn't, but they're close. Over the last two years there has been a substantial change. He said that in looking at the percentages, the individual income tax over the last two years has increased about 1.5% this year, but almost 6.5% over the last two years. This year, it was 8% for business income tax (BIT) and 12% over the last two years. They've seen considerable expansion and it's not just IIT, they're seeing many more processing requirements. The rebates are included in his statistical report because it was such a big effort this year to get those out.

Individual income tax was significantly backlogged this year, but he is happy with his team and what they've been able to do. In the past, they couldn't change focus to different things. This year, they switched focus and cleared things quickly when it became urgent. They are now current on IIT, and they're going through BIT quickly. The BIT team only has five people, but because of the training they have in place, they've been able to put more than 20 people on BIT returns over the last month. It was a big milestone for Revenue Operations to broaden competencies and to get help with the backlogs where the resources were needed. They are celebrating a BIT mid-point milestone with pizza during the week of February 6 to recognize the supervisors who put things in place to help achieve this first milestone.

Revenue Operations hasn't reached their Idaho Business Registration (IBR) processing goals of 95% within 7 days every week, but it's been consistent over the last half of the year since setting the goals during strategy. It was helpful to set the goals and to monitor them because the team has moved more quickly than they have in the past. The IBR processing for a new business registration is over 26,000 which is a significant increase over prior years when they were closer to 20,000 – 23,000. While the IBRs are one thing to process, the numbers

of withholding and sales and use tax accounts have also increased. Each of those accounts increased by about 20,000. The metric for sales and use tax returns, is to process them within 25 days, and to process payments within seven days. Notwithstanding withholding, the sales and use tax payments and returns have been within the metric, but when thinking about the fact that there are an additional 20,000 in each of those accounts means they've added about 300,000 processing returns. Many of those newer returns are 12-month returns, some will file quarterly, some annually, so it's an average, but that's increased volumes that the teams have been processing. They are more consistent than in previous years because the training they've implemented has allowed them to move people to the cover permit-based taxes.

Commissioner Moyle asked Mr. Mascall if all new permits are required to file monthly, then move to quarterly. Mr. Mascall responded that Commissioner Moyle is correct. Normally, a new permit would be monthly, but sometimes that isn't done when there is something special about the permit. These accounts to which he refers today aren't necessarily new. He has estimated that half are monthly, and half are quarterly, just to get the number. They are likely heavily weighted to monthly filings making the reported number low. Mr. Bernasconi was recognized to speak and said the system is set up to follow the IBRs, so the filer must enter what they believe their sales and withholding will be, and statute drives the filing cycle, which follows whatever the IBR does. There are many monthly filers that should probably be quarterly filers, but they have been very optimistic about their success and report big numbers. To lessen the state's risk, they're instructed to file monthly, then annually, Revenue Operations conducts a filing cycle analysis process (an automated job) that reviews every return type and decides whether the payments are consistent with the filing type and can then make the decision to move the filers to quarterly, or in some cases, the quarterly filers were more successful than they thought and must statutorily file monthly. The opposite is also true, but it's all driven by the initial report.

Commissioner Moyle followed up asking if that is the reason Mr. Mascall said some of these aren't necessarily new, because they've been reviewed? Mr. Mascall said no. They know they had 26,000 IBRs for new taxpayers. Not all of those were sales and withholding. Someone can have a withholding account and come in later and say they want a sales tax account. That wouldn't necessarily be a new account, it would just be a new sales tax account. They may have been inactive and reactivated the account. He can't tell on all these numbers because he requested high level numbers. Commissioner Moyle pointed out that this just means he's looking at more than just the 26,000. His staff is doing more work. Mr. Mascall said they are absolutely doing more work.

Mr. Mascall has included the filing cycle analysis in his report. There were 36,000 International Fuel Tax Agreement (IFTA) renewals. That is limited some. He met with the committee about one year ago to discuss how to move people from monthly filing to quarterly filing to have fewer returns to process, when appropriate. That is a customer service thing they're doing now in the Permit team. If they can see it during the year, staff will change the filing, if the customer agrees.

Revenue Operations has been focused more on the people in the division. Three of the more senior leaders in RO are still within their 6-month probation. Tarra Harris, the Bureau Chief, just completed her 6-month probation. They've been focusing on the tactical training, so people know their simplified job. The "RO Academy" takes in new people for six weeks of training. They start with procedures and move into the test room to work with test data and then start working in production as they learn the information. It's been very successful because they're productive while training. It's led by Ms. Harris, but Kayla Osterhout and Nickolaus Ritchie, both Program Supervisors, have pushed this effort.

That same team also implemented employee recognition ideas. They have several different ways to recognize employees including a jar Pam McNair, Program Specialist, put in Initial Data Operations (IDO) where leaders leave notes for their employees. There is also a big gold rock that is passed around to show people they "rock." The big thing that happened this year during Thanksgiving was that the managers all made a Thanksgiving craft with a handwritten note to every employee in RO to let them know they are doing a great job.

In technology this year they've implemented 11 new process improvements including a "no records found" for BIT returns. They've had good success with that in IIT, so implemented it for BIT. They also, in consultation with Audit, are linking the e-file data in an Idaho K1 to the returns. An Idaho K-1 is used to provide the partner, shareholder, or beneficiary of a pass-through entity with information required to complete the pass-through owner's Idaho income tax return. Before, that was all manual, and this will save time. They have worked on other projects to take the "manual" out of processing. There is a large amount of mail and much of that is replies to requests for information. They initiated a push this year to have staff make phone calls instead of sending a letter. They are now calling the preparer to get the issue resolved quickly by phone so the mailing, receiving, and routing is taken out of the process which shows a better level of customer service. Additionally, they conducted a full study in IDO, and have increased the level of review for processing dates and initiated additional training for all staff to understand the date received cutoff for returns filed. This has helped to identify when things are either on time, or late.

Mr. Mascall noted that, not counting the Bureau Chief and the two supervisors, there are 64 full time positions in Revenue Operations, 58 are filled, meaning that 52% of the Revenue Operations staff has less than one year of service in their positions. Over the two years he's been in this position, none of the staff are in the same positions. Almost all the staff are new, and he's excited about this tax year because everyone is starting to get some experience and he's excited to see what will happen with that.

There are currently six open positions in recruitment. One is a supervisor position in IDO and the others are Technical Records Specialists. More than 50% of the seasonal employees are returning this year which is a particularly good number. Today, there are 26 returning seasonal employees, and 24 new seasonal employees. The downside to this, as was reported at this time last year, is that of those 50, they're averaging 26 hours per week. They'd like to have the bulk of them at 40 hours per week for 20 weeks, but they aren't getting many that wish to work that much. They're still recruiting and still bringing people in, though.

Some of the major IT-Development activities include the tax year 2022 income tax configuration (FRED) that's in production. A few things remain to be done. They've begun receiving electronic returns already, and even a few paper returns. The software partner authorization is coming along nicely. Each year, they start the modernized e-file by sending a letter of intent to the software providers to see what forms and products they will offer their customers. All those received by the deadline are authorized, or the provider needs to make a change because their test was negative. Revenue Operations will continue to process those even though they may be late. Those that were submitted timely were approved.

There was an IFTA project, too. The IFTA clearinghouse needed return data entered in a particular way, so the automated system coordinators (ASCs) configured TAP to only allow certain data in. These changes allow for faster and easier data correction at the return submission level instead of correcting the IFTA transmission file. That is in production now. The ASCs and IT worked closely together and the Examination Operation Automation Database (EOAD), a federal system that tracks results as part of IRS audit activities, project is complete. There are other projects in various stages of production and monitoring.

Support Operations is the other half of IT and, to support telecommuting, worked with Information Technology Services (ITS) to get laptops configured and delivered. They also helped with the implementation of Duo, the two-factor authentication mechanism, for the Tax Commission. The next step will be to include the virtual private network (VPN) in that authentication method. The Operations and Development teams were celebrated on IT Professionals Day.

Commissioner Zwygart asked if 52% of his staff has less than one year experience. Mr. Mascall said yes, 20% have less than 6 months. There are many new people in the Commission, and many new to their current roles. Commission Zwygart commented that this makes Mr. Mascall's job very hard, because everyone is training. Mr. Mascall said yes. The focus is to consolidate training. They want people to move into other

positions, so they need to get better and faster at training. Chairman McCray added that Revenue Operations has most of the entry level positions in the agency. Sadly, his group is the pipeline to other divisions.

Chairman McCray commented that the effort to resolve issues with a phone call is an outstanding project. It embodies continuous improvement by taking out a great deal of waste, including time and paper. Most importantly, it is a great customer service offering. The other thing that stood out during Mr. Mascall's report is that his supervisors are taking the time to individually recognize their employees. When that recognition comes from a direct supervisor, it adds much more meaning for the individual. Employees crave that.

Kim Wind, Audit Division Administrator

Ms. Wind said Audit has had a great quarter with the SQRs, which are the developer's tracking system. There were 90 Gen Tax work orders (SQRs) before the Annual Plan, so she believes the Annual Plan is working. It's focused, and it's helping to track new SQRs that weren't on the Annual Plan getting through and stopping others. They still have 46 SQRs, but she's happy it isn't 90. Ms. Wind thanked Mr. Mascall for putting the Annual Plan together saying it was well thought out.

Discoveries are their audit selection processes. She's provided a list indicating what unit is working in which years. Tax Discovery Bureau (TDB) is now moving into 2016 and they continue to be more current. The projects include an effort to move away from using Excel and to use the available system. Notices of Deficiencies (NODs) were included into Gen Tax because they were duplicating work by updating the Excel spreadsheets. They're hoping to just consolidate effort into Gen Tax because it already does this for each tax filing year.

Fraud operates on a calendar year, and it was a very active year. They converted to using Fast Identity Verification Services (FIVS) in January 2022. About 80% of the fraudulent returns were identified this year by FIVS. It's been highly successful. The schemes this year are like last years. The refundable grocery credit is still highest with 2,477 people trying to claim a credit they shouldn't have. The next highest number is the 1099-Rs, with 347 people, but the amount involved is \$1.2 million. The dollar value is considerably higher than the \$252,650 for Grocery Tax Credits.

The criminal cases are moving through the courts now. The criminal team has been fostering great relationships with police and prosecutors to get tax cases before the courts. They will be testifying this week and next on two cases. It's been a long time coming and she's excited about that.

Included in Audit's accomplishments, as reported earlier by Mr. Mascall, is the EOAD project is finished. The International Monetary Fund (IMF) automation project, also federal information, is part of the non-filer program. It went into production on 12/29/2022 and it's doing well. The production assistance is ongoing. They are on standby.

In preparation for operational excellence (OE), they've updated their manuals. They've identified Keegan Ethridge, Aaron Butikofer, and Don Curtis to help with OE and Isaac Joyner, the new Business Analyst oversees OE for Audit. Audit staff, Greg Busmann particularly, reviewed the website to make sure changes were current and he will continue to work with the Taxpayer Resources Unit (TRU) to keep everything current. The Audit Division has also streamlined their evaluation process. All performance reviews are now on a calendar year cycle and were due to her by the end of January. Everyone came together and they should meet that goal. This was a huge undertaking, and she is extremely proud of her team for getting all these reviews completed.

Audit completed 1,719 rebate review work items [in Gen Tax] which is an additional workload for Audit staff. The Fraud Manager is updated to include the changes brought about by House Bill 715. This will help identify those returns that could have issues with the changes. She further reported on another project they've been working on to have their letters print on both sides of the page.

Efforts spent refining Audit Division discoveries are improving efficiency. A “no change” occurs when they open a file, do some work, send a letter, then realize there was no change to be made. They can only determine there is no change when the taxpayer responds. The goal is to select audits where they don’t need to send a letter and wait to see if there is no change. This year, those were reduced by 56%. She believes Discoveries are picking better Audits. She’s proud that number has decreased so much. IFTA completed their program compliance review, which is like a little audit completed every 5 years. There were a few findings, but fixes were already planned. That group is awesome. Misti Alvarez and Bille Pierson are members of those relevant committees so were aware of what would need to be fixed and were ready to go. Sales Tax Audit recently migrated the STA New Permits Discovery to enhance the audit selection process and auditor efficiency.

From 07/01/2021 – 12/31/2021, Audit closed 9,691 audits with about \$25, 419,214 in recoveries. For that same period in 2022, they closed fewer audits, 8,127, but recovered \$38,993,942, or \$13 million more, which says that some of the audits that take a little longer increases the recoveries; one sales tax audit was \$5 million. Every bureau had increased recoveries over the previous year. Ms. Wind reports the hours it takes to close an Audit case, but for strategy purposes, she includes the recoveries because the Tax Auditor 3s don’t close as many audits, but their audits are more complex, and the recoveries are higher. They want to choose the best audits they can and they’re always looking at that.

Hiring the Tax Auditor series, especially the Tax Auditor 1 – those right out of college – for \$21.00 per hour isn’t happening. Staff are attending job fairs and hiring events and getting laughed at because of the starting wage. That isn’t fun, but they still try. There are fewer applicants, fewer qualified applicants, and pay is an issue. There are 17 vacancies in Audit right now, and they’re constantly posting announcements. They’ve even tried streamlining it so that HR is only publishing one announcement for multiple positions, so they don’t have to keep track of all the different announcements. Pay is the biggest issue.

On a more positive note, John Vail has completed his underfill and was promoted to Tax Auditor 2. Nicki Witt was promoted to Tax Auditor 3, Joe Freeman started as a Tax Auditor 1, Maria Garatea was promoted to Tax Auditor 2, Kim Abernathy was promoted to a Tax Auditor 1 (underfill), Andee Harris moved up from Revenue Operations to be a Tax Auditor 1 (underfill), Robin Maupin moved to Fuels Tax Audit, and Lori Dillon has joined the Contract Desk. Ms. Wind’s team has also seen some changes. Mark Stones retired, and Andrea Madsen moved to be closer to family, so three of the four team members are new. Greg Busmann has been in his position for one-and-a-half years, and Rebecca Danley was promoted to Tax Discovery Bureau Chief, Robert Foster was promoted to Bureau Chief of Sales and Fuels Tax Audit, and Isaac Joyner is the new Business Analyst.

Commissioner Katsilometes said it is nice to see Ms. Wind’s enthusiasm about Audit. Ms. Wind said everyone in the room has been touched by HB 715 because it changed the statute of limitations from three years to 10 years to make a claim for credit or for refund of certain overpaid taxes and allowing them to be offset against taxes due. It changed how audits for non-filers are considered. They initially thought it would only apply to non-filers, but it applies to all income tax. Income Tax Audit Bureau changed the way they do discoveries, and the audit letters had to be changed, it was a great deal of work for many in this room. Mr. Bernasconi was recognized to speak. He agreed that HB 715 touched the whole agency, including the Taxpayer Resource Unit who had to include a “715” line on forms going forward and Revenue Operations had to find a way in Gen Tax to define how the form is processed while coordinating with Management Services to stay within statute. Compliance was involved because there are now compliance cases with a potential “715 component” and he provided examples of scenarios. Mr. Bernasconi added that this was truly one of those law changes that seemed small but turned into a very large undertaking. Ms. Wind noted there is now a committee set up to help with new legislation that will hopefully mitigate things like this in the future.

Julie Eavenson, Public Information Director

Ms. Eavenson reported that the bulk of the Communication Strategy trainings are completed. She’s working to catch those that couldn’t attend earlier. She’s coordinating with Ms. Grabenstein to make the training available for newly hired staff so everyone understands how the organization communicates. The two things

they're focusing on in addition to that are communicating the "why" to the employees. That will likely involve more surveys to find out how the Tax Commission is doing as an organization. Employees have said they want to know why things are done. She'll also be focusing on the one-stop shop for communications; where people get their information to do their day-to-day jobs. The Leadership Team has already seen the results of the brainstorming session she did at the end of each training. She's compiled it and synthesized it. Her intention is to write an article, including the spreadsheet, and post it to Tax Insider so people see that what they were saying was heard. Many tax organizations are proud of the fact that their entry level people move into other positions within their agencies. She'd love to see Taxpayer Services (TPS) Unit be one of those places. Those people are not just asked to "answer and transfer." They're being asked to engage with customers and to help solve their problem with the first call. She's excited to see what the employees say. She believes the transparency will help to ensure a true communication strategy and that it isn't just lip service.

They expect the Annual Report to be published by February 15. They're proud to be supporting Human Resources with the recruitment efforts in the Idaho Press. They saw the first report yesterday and they are seeing good opportunities with that campaign to bring more people to the Tax Commission with advertising. Other state agencies are also seeing success and she is happy to be supporting it. They've completed a Property Tax Information Kit and are working on a kit for Compliance and for Audit. It is a piece of the communication strategy, and she is working on articles for each division to tell employees what other divisions are doing. The marketing plan that happens every year during tax drive has begun. Tax season began on January 23. There is a series of press releases that are distributed throughout the year to help people understand the process.

The website upgrade launched successfully in December. Now, they are receiving requests for improvements. One was from Human Resources to update their areas and Taxpayer Services wanted a pop-up for users when they want a tax representative. Right now, it takes a long email exchange to get all the information needed to be able to respond to a question. These are just some of the projects her team is currently working on.

Ms. Eavenson reviewed the social media statistics saying Twitter interactions are down, but there are improvements over all the other platforms. The media coverage statistic is on hold. This measure was implemented for the last report presented to the Commission, however, the employee monitoring that has been out of the office and they have been down one employee. That program manager position was recently filled, so going forward, that information will be available.

Gordon Myers, the Taxpayer Services Manager, is present today to answer any questions the Commission may have. He has put together a synopsis of what is happening in the call center. There continue to be increases in demand for the call center. The calls handled to date increased from just under 100,000 to just under 120,000. They've seen the same data over 11 years. A question from a representative during the Joint Finance and Appropriates Committee (JFAC) hearing was whether rebates or tax changes are affecting this increased call volume. The rebates represent a 6.5% increase. There is a reason that for the last year they've had to solicit Audit and Compliance to help answer phones. It's not because of rebates, or even Empowering Parents. The reason is there is a significant number of new residents in the state of Idaho. Not only are there more people to talk to, but they don't have any experience with Idaho's tax system. When they call, they don't just need the answer to one or two questions, they need comprehensive help. That's what TPS does every day. The people that work in TPS do more than direct someone to the website to find a form or tell them how to log into TAP. These employees are helping people find information they need for the whole tax system, both business and individual. People want to be here. This is not a trend that is going away, and the frontline staff need to be prepared. One of the statistics highlighted in the report distributed to the Commissioners is that in the last two years, the percentage of calls dropped is unacceptable. The callback feature was recently implemented and relieved some of the frustration, but it doesn't decrease the size of the queue. It doesn't add to the number of people that are available to help answer the calls. They need more help. Chairman McCray had asked what resources they need. Ms. Eavenson said they've asked for three positions from the legislature. They need more bodies because over 30% of the people being dropped off the call queue is unacceptable. Mr. Bernasconi previously asked her to review how many people are calling, hanging up, and calling back. There are some people that are impatient. Many more will just

wait. They know that the numbers of dropped calls is not expected and they need to do things better. The callback feature was added as one more step, and they're being more sophisticated in the messaging on the system, but the bottom line is that even when they have the help of Audit and Compliance, they need more people. The employees in TPS are working from the time they walk in the doors until it's time to leave. They are on the phones constantly. These employees won't get the opportunity to move on to another position in the Tax Commission if they're under that much pressure. They'll feel burned out. The calls are not letting up.

Commissioner Zwycart noted the callers are more technical now. He applauded TPS because of the training they have that allows them to do so many more things. Commissioner Katsilometes said they are doing a great job. This is a good direction.

Chairman McCray said he's extremely excited about the website. It looks fantastic on mobile devices and on the computer. He asked if Ms. Eavenson is putting together a process, like what Mr. Mascall has, to prioritize and capture the projects she wants and making sure to close the loop? Ms. Eavenson said they are.

Chairman McCray said he's heard her plea for people to address the dropped calls and he realizes that is an opportunity. He asked what other items are either in the works or that can be done to address the issue? Is it only people? Ms. Eavenson said they are prioritizing a "Tax Rep Pop-Up" box to help get as much information up front as possible. Mr. Myers is meeting with AWS, an Amazon subsidiary, to explore the chatbot possibility. AWS will allow the agency to pre-load questions. It would also interact with the Cisco system. It will require the regular bid process, but these are two things they're exploring. Ms. Eavenson deferred to Mr. Myers who said there are other things they've reviewed. They see phone calls as being the primary means of communication. When the phones get too busy, though, the numbers of emails increases. Last fall, they saw a marked increase in the number of Tax Rep emails. When he investigated it, he found that the emails were bottle necking because some of the emails were being touched three times. They reduced the number of touches and alleviated some of the bottleneck. Chairman McCray said that is a great example of process improvement and encouraged Mr. Myers to continue looking for ways to improve. He asked what resources they will need to move the chatbot feature faster. Ms. Eavenson said it is a part of their Annual Plan and it requires development resources. Mr. Mascall was recognized and said he believes it would be between ITS and AWS. Mr. Bernasconi was recognized and added that there is another benefit to having the pop up on the website because Access Idaho is available to support it. The process of identifying resources would also include them as to help deliver the message. Chairman McCray asked if this can be processed as a priority in the planning process; he would appreciate it. Commissioner Moyle said the problem with some of this is that it crosses over into ITS's territory and may be difficult. It's worth noting that there are things to request from ITS, as well as the legislature.

Lisa Kopke, Financial Executive Officer, Management Services

Ms. Kopke reported that the Lewiston, Coeur d'Alene, and Idaho Falls Field Offices have been waiting on furniture upgrades. Most has been completed and she will verify with the offices that what they received meets their needs. The security proposal was received for the Twin Falls Field Office. It's been reviewed by the Department of Administration and the Security Operations team. Now it's about finding the money. For those that don't know, about 97% of the agency operating budget is fixed and spent before the fiscal year begins. That money is designated for the Statewide Cost Allocation Program (SWCAP), rent, and other agency billings. That leaves little room for miscellaneous expenditures. The plans for the Idaho Falls Field Office are with the Division of Public Works (DPW). They are also being reviewed by the Safety and Security Team.

About 87% of available funds for Rebates 1, 2, and 3 have been expended. The current balance, as of December 31, was \$149 million. Taxpayers (and Compliance, to clear taxes due) have received \$936 million. December month-end was successful. The general fund accruals for December were \$526 million. Fiscal year to date distributions and accruals to the general fund total about \$2.6 billion. That is up 5.35% over last year.

As Mr. Bernasconi mentioned earlier, the agency has salary savings. The personnel budget is 47% expended and the operating budget is 62% expended. The second half of the Chinden Campus rent is due in

March and the second half of the Gen Tax payment is due in March and June, so there are still some big dollar amounts coming out of the operating budget. Capital outlay is about 76% expended.

Ms. Kopke provided updates from the Employee Events Steering Committee. Their annual meeting was about one week ago, and the team came up with five events they want to sponsor and host for staff over the next year. In March, the Commissioners and Operations Leadership Team sponsor Employee Appreciation Day. Employees enjoyed that very much and would like to do it again, so the planning team is discussing options. They would like the picnic in June; Family Day was a big hit, and they'd like to do that again; Halloween, as always, in October, and Christmas in December are on the agenda for 2023.

She's hired a Tax Auditor 1 as a Financial Specialist, Senior. in Management Services. Chris O'Kief has been with Management Services for about one month and doing very well. There are still two vacant positions they hope to fill soon.

Ms. Kopke provided an update on Luma financials. There are two components to Luma. One is Human Resources, and the other is financials. Her team has been working hard with the Luma team to get currently available information and build it into workbooks to have the development team on the Luma side put it into the Luma project so when it goes live (and she's told it will be July 1 for financials) that distributions and everything will be seamless.

There is internal training coming up for Luma. The Luma team will be picking a group of Tax Commission staff to train and they will train the rest of the agency on how to use all things Luma, including p-cards, and travel express. Ms. Grabenstein will have some I-Time pieces that will go along with that, so it will hopefully be coming in May.

Commissioner Katsilometes asked about the HR piece of LUMA and whether it will be switched over. Ms. Grabenstein was recognized and replied that the pieces are working in tandem, but they're two separate initiatives.

Rhamona Grabenstein, Human Resource Officer

Ms. Grabenstein said that while listening to the reports, she realized there is considerable duplication in her report. She reported that as of January 13, the fiscal year to date turnover was 13.3% for the Tax Commission. The state's overall turnover rate is currently 9.3% for the same period. The top three reasons employees have given at the time of separation are retirements, transfers to other state agencies, and personal reasons, which is typically other jobs, often for more pay.

The Tax Commission Human Resources (Tax HR) team is now fully staffed, and in the theme of poaching, Stephanie Elliot came from the Idaho Department of Correction where she spent 10 years as a HR Specialist. She promoted to the Tax Commission as an HR Specialist, Senior. Ms. Grabenstein worked with Ms. Eavenson's team to publish an article on the agency's Share Point site indicating who in HR covers what units. Ms. Elliot will be helping Quality Assurance and Research, Governmental Affairs, and Revenue Operations. Jen Igo came to the Tax HR team from the Idaho Department of Juvenile Corrections where she was an HR Specialist, Senior. She is supporting Management Services, Audit, and Appeals. George Menendez has now been with Tax HR for a year and came from California with public sector experience in Orange County and supports Compliance and Property Tax. Amy Cady and Cecilia Morales manage payroll and all HR paperwork supporting the whole agency. There is a great deal of manual entry for the paperwork Tax HR processes. Often there are two separate entries of the same information. The HR piece of Luma will only require one entry. They're hoping that reduces their workload because there will be one system of record. Ms. Grabenstein said they will receive training; she's asked for early training because they'd like to get familiar with the new system. She knows the training is planned for April or May, but she's advocating for some earlier training for the HR team who will likely train employees. With this system, I-Time will go away, and timecards will be entered in the new system through Workforce Management which includes a method for requesting time off. Once a request is approved by

a supervisor, the timecards will be auto populated. There will be ways to enter schedules so supervisors and leaders will know who is scheduled to work when. She's hoping they will train her team as soon as possible so they can become subject matter experts on how the HR piece of Luma will affect the frontline workers, supervisors, and managers. There's also a hiring component to the new system. Every internal move creates work in HR. She's very happy people advance within the agency, but with 41 vacant positions, when one moves internally, it doesn't change the vacancy number. She is constantly looking at approximately forty vacancies. Consequently, they continue to concentrate on hiring.

Part of the agency strategy is to "Implement a comprehensive hiring plan." The agency has signed a contract with Idaho Press. When the search terms "Idaho Jobs," or "Idaho State Employment," users are seeing something about the Tax Commission. She's also working on the employment page of the external website so when people click one of the links, they will be redirected to the Tax Commission's employment page instead of a filtered list on NeoGov.com. They've also been continually involved and participating in events to make people aware of Tax Commission openings. There are three events scheduled: one tomorrow, on January 25 and Audit leaders will accompany the Tax HR team. There is a BSU job fair on February 8 with several state agencies attending. The Division of Human Resources has a recruitment focus group and the Tax Commission volunteered to host them at the Chinden Campus. The focus group meets once per month to discuss best practices, how to build off each other, and for the first time, there is some movement on sharing lists. Right now, if the Tax Commission is hiring for a Technical Records Specialist 1 (TRS1) and Health and Welfare is hiring for a TRS1 and they have a great list, the Tax Commission can't use Health and Welfare's list. Through this new focus group, they discuss the applicants and while both can't hire from the same list, the Tax Commission could call someone and encourage them to apply for a Tax Commission position. Hopefully, this changes under the new Human Resource Information System (HRIS) when there will only be one list, but for now they'll continue to maintain two lists. The HR transition to the new system is scheduled for June 11.

When they first began discussing the consolidation of Human Resources, called HR Modernization, under the Division of Human Resources (DHR), Tax HR was initially expected to support four smaller agencies. Things pivoted in the structure, and they would support just one smaller agency. She's now been advised they will only support the Tax Commission, and she's very grateful for that.

The Emotional Intelligence workshops began in September and were going strong; however, enrollment has begun to drop off. She's hoping to continue to hold workshops and include the Field Offices more. There is a workshop scheduled for January and the February one is almost full; both are smaller workshops. Aaron Yost and Amber Ortiz are now certified and will begin offering the Field Offices opportunities at their locations across the state.

The Hire to Retire series that ran November to October last year started again today. The original intent was to train on Luma practices, but because that doesn't go live until June 11, they are still providing tactical HR training to supervisors related to current processes. The training goes through the life cycle of an employee.

The third Leadership series will start in February. She's excited to report that it's a 6-month program and leaders throughout the agency are delivering that training to other leaders. There is a group, "Focus on Leadership" that meets every other month and is driven by the leaders.

The training opportunities are a part of strategy. She has developed, in coordination with Audit, an HR comprehensive calendar that will be available on the Tax HR Central Share Point site where employees can see when training events are available.

Mr. Bernasconi mentioned the Gallup survey earlier. She's met with Gallup and is targeting early February for a survey. Tax HR has an item on the Annual Plan: the Kudos project. They agency previously had a Kudos system on the former Tax Insider. The new one is in development and will be tied directly to the Mission, Vision, and Values with a place to write specifically what was observed.

Another item of interest is the New Hire Orientation. They've changed that to onboard people more effectively and engage them in embracing the agency's culture. Instead of overwhelming new employees with six hours of HR people telling them everything is important, they've broken it up into four separate meetings during the entrance probation. It was launched in January, so there have only been two meetings. Her team has met and discussed how to make it more interactive and engaging. They will continually improve that process to try to instill the Tax Commission culture in new hires.

Ms. Grabenstein thanked Ms. Young for helping the Tax HR team with writing standard operating procedures (SOP). The Leadership Team agreed that instead of writing policies for the agency if there is a governing policy that cannot be changed, to instead write a standard operating procedure for how the agency would follow those policies. In the HR world, DHR has several policies that cannot be changed. It's more about how the agency operates to implement those policies. Several are updated and posted on Tax HR Central. Currently in development is an SOP on Safety and Security and Background Investigations. An SOP covering Professional Conduct is in the planning stage.

Commissioner Katsilometes asked when the consolidation of the HRIS will occur. Ms. Grabenstein said the Human Resources Information System tied to Luma and will happen on June 11. There are two separate things happening concurrently. The HR consolidation will occur on July 1. The current six Tax HR employees will become DHR employees. They will all remain at the Tax Commission and continue to support this agency. Direction on how they operate as a team will still come from the people in this room. Commissioner Katsilometes asked about I-Time. Ms. Grabenstein said the new HRIS has a time management system called Workforce Management included. When the HR piece of Luma launches on June 11, it will be the first pay period for the new fiscal year, and it will be in the new system. I-Time will no longer be used for payroll. Supervisors will still approve timecards.

Chairman McCray clarified that the new term for "HR Modernization" is "HR Consolidation," recognizing that "modernization" came with a negative connotation. This occurred within the last week. He asked if the Tax Commission see any changes in the recruitment processes? Ms. Grabenstein said yes. The system used now is called NEOGov. It is the forward-facing place where jobs are posted. NEOGov is not contracted under the new applicant tracking system. That will be through a company called Talemetry which will have a different look and feel. Tax Commission jobs will likely be lumped with other administrative office type jobs because there will be sections like public safety, healthcare, etc., With those changes, it's even more important to have the external website's employment page be where Tax Commission jobs are marketed and where have advertising points for Tax Commission-specific jobs, versus relying on DHR's new system. Chairman McCray asked about personnel, saying the agency has done a phenomenal job of developing and executing a plan that is beneficial to the agency, and maybe better than other state agencies. He asked if that will now be done by DHR. Ms. Grabenstein said her understanding is that agencies will retain the right to recruit their own positions with the new tools, as appropriate.

Aaron Yost, Governmental Affairs Officer

Mr. Yost reported that the legislative session began on January 9. This is his first full legislative session. He's now been here for one year and has learned many things. The Tax Commission's conformity bill has now gone through the House Revenue and Taxation Committee and is on the second reading on the House floor. The House Revenue and Taxation Committee has not yet heard any other legislation. There have been some great presentations to that committee and more to come on Urban Renewal.

The Tax Commission Administrative Rules will be presented to the Senate Local Government and Taxation committee today and tomorrow. The House Revenue and Taxation committee has said they'll hear Rules closer to the end of the legislative session. The Tax Commission Administrative Rules on the docket this year are the Income Tax Rules, Beer and Wine Tax, and Administration and Enforcement.

The Governmental Affairs Team joined Cynthia Adrian, Tax Policy Research Specialist during the Idaho Society of Certified Public Accountants (ISCPA) Fall Tour. The Spring Tour will occur in May at the end of the legislative session. Mr. Yost and Mr. Tom Shaner attended the Multistate Tax Commission (MTC) Fall Meeting in November and one of the Specialists is currently attending a Product Tax and Conformity Meeting. Additionally, it was nice to see everyone who recently attended the ISCPA Dinner. It's been a great start to setting up relationships for this coming legislative session.

Commissioner Zwuygart thanked Mr. Yost for the regular legislative updates. Mr. Yost said those will continue to improve as time goes on. The 2023 Bill Tracker for relevant legislation will now up and shared with everyone that needs it.

Reports on Rules Committees

Tom Shaner, Tax Policy Research Manager, reported that after being told the House and Senate Committees would hear Rules toward the end of the session, the Senate Committee secretary called yesterday and asked Ms. Adrian to present part of the Income Tax Rules to the Senate Committee this afternoon at 3:00 p.m.

Because the zero-based rulemaking is so comprehensive, they must review the entire chapter, especially things like Property Tax and Sales Tax. It's a tremendous amount of work. Traditionally, they've tried not to have any public meetings during the legislative session because they had been told it was a rule, or a law. He has asked the Tax Commission Deputy Attorneys General and the Division of Financial Management (DFM) about it and was told they can have meetings but cannot make any decisions. They also cannot hold any meetings when they would have to publish an intent to promulgate. With that in mind, there will be a Property Tax Rules meeting soon. The agenda covers the zero-based rulemaking and requesting volunteers for some subcommittees. There will be no conclusions or decisions until at least June.

To clarify, they've received some pushback on the changes that are being made in the Income Tax Rules, specifically about removing examples. The changes were made at the direction of the Governor's office. The business community and ISCPA has objected. The Tax Commission remains neutral. He believes, because the Committees can accept or reject rules down to a subsection (although they cannot add verbiage, they can strike anything with a numbered or lettered paragraph), if they adopt the Rules docket except for the edits, he thinks that will put the examples back.

Mr. Shaner commented that the Policy Research group has had success with telecommuting. He thinks it's partly the nature of what they do. His staff is autonomous. They answer questions based on their subject areas and chat and email back and forth even in the office. One reason he believes they've had such success is that a few people with health concerns preferred to stay out of the office as much as possible. Some also want to be able to work modified schedules. They attend or deliver trainings regularly, and after the conformity bill was signed by the President, there were 50 or 60 items changed. They reviewed the whole bill to filter down to what would affect Idaho and found 18 things that would potentially change taxable income. They concluded, with DFM and others, that it's neutral, with about 50% positive changes, and about 50% negative changes. The changes relax both contributions and withdrawals from retirement funds. Much of it depends on choices and human behavior. One example he's been using is that it increased the catch-up provisions, Those over 55, 60, 65, can add extra amounts to their IRA. Now he can put in an additional \$7,000 this year. There is no mechanical scoring on that. The Tax Commission holds that the changes were neutral.

There was a last-minute edit: Idaho didn't conform in 2021 to non-corporate excess business loss limitation. However, Idaho is now almost the same as the Federal. The difference (they've indexed theirs up for inflation) is \$270,000 for an individual return and \$540,000 for a joint return. If Idaho still didn't conform, the Idaho limit would be \$500,000. The estimate on that was literally between \$1,000 and \$3,000 for Idaho. He asked if that language could be stricken to clean up the statute and not make everyone track the insignificant difference. They allowed it and that is why House Bill 6 (now House Bill 21) was introduced. Commissioner Moyle commented that in Committee, Mr. Shaner said it was an error, and in her opinion, it was not. These are items that

need to be brought forward before the session, which he did. He did his job and did it well. It was up to them. They made that policy decision, so she appreciates his work, they appreciate his work, and she doesn't want him to feel it was an error. Mr. Shaner appreciates the comment. There was no way to know what the number would be back in September. When Representative Ehlers agreed to carry the bill, he asked Mr. Shaner for a copy of the draft. He sent the one without the changes. No one realized it was an error except for Mr. Shaner.

Mr. Shaner noted that the Taxpayer Services Unit forwards many calls to Government Affairs when those calls could take time to research. The pop-up box Ms. Eavenson spoke of earlier would really help. Often, they must call the taxpayer and ask for the specifics; what is the caller really asking? There is another category, though, too. Many people believe the Tax Commission sets tax policy. Mr. Bernasconi recently received a question from the Governor's office because someone wanted to know why their 401(k) withdrawals were taxed. Ms. Adrian responded that it was the law. The taxpayer replied that they thought with all the extra money, the Tax Commission could make it not taxable. Ms. Adrian told the taxpayer they could contact their local representative to make policy change. There are so many new people to Idaho, and some just want help filling out their return.

Commissioner Katsilometes asked about the presentation of the Rules; Mr. Shaner was told they'd be presented at the end of the session; then was told they'd be presented earlier. He wants to know who is running the show over there? Chairman McCray responded that Mr. Shaner would not likely have that insight. Mr. Shaner responded that the House committee has said they will wait until toward the end of the session. When they went to the first Senate committee hearing, the committee said they would wait to see what the House committee did and would coordinate schedules. Mr. Shaner left last week with the understanding that both committees would wait until closer to the end of the session. Yesterday, the senate committee secretary called and asked for the presentation today. They will begin at 3:00 p.m. this afternoon in the Senate Local Government and Taxation Committee. They've said they want to go line-by-line. If anyone has seen the redline version, and they choose to do that, the meetings may span several days.

Chairman McCray asked who is facilitating the Property Tax Rules Committee meeting. Mr. Shaner said it will primarily be Kathlynn Ireland with Alan Dornfest. Allison Dodge is arranging the invitations.

Other Business

There was no other business.

Public Comment

There were no public comments.

Executive Session

Commissioner Zwygart 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 Moyle seconded the motion; Maria Young, Management Assistant took a roll call vote: Commissioner Moyle, Commissioner Zwygart, 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 noted the next Tax Commission business meeting will be April 25, 2023, at 9:00 a.m.

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

Maria Young, Secretary

Jeff McCray, Chairman