

IDAHO STATE TAX COMMISSION

COMMISSIONERS' BUSINESS MEETING MINUTES OF MEETING JANUARY 23, 2024

This meeting was open to the public; however, everyone was encouraged to attend by telephone.

In attendance: Chairman Jeff McCray; Commissioners Janet Moyle, Paul Woods, and Jared Zwycart; John Bernasconi, Lisa Palmer, Julie Eavenson, Aaron Yost, Lisa Kopke, Evan Sailor (remote), Kim Wind, Rick Mascall, George Brown, Rhamona Grabenstein, Elisa Magnuson, Jim Rice, Ben Sever, Jerott Rudd

Public Session

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

Recognition of Certificates of Service

Chairman McCray said normally, at this time, we would recognize employees' years of service; however, we were unable to get the information in time for this meeting. Employees will be recognized at the All-Employee Meeting in April. Chairman McCray said he likes that venue better. He wants to acknowledge those that have tenure with the Tax Commission. Our vision is to have great people, and one of our critical success factors is to recruit and retain great talent. Your service is a testimony to the fact that we are working to retain great talent. We appreciate your service and time with the agency.

Business requiring a vote of the Commission.

Minutes: Special Business Meeting – December 5, 2023

Commissioner Zwycart moved to approve the minutes of the Special Business Meeting held on December 5, 2023. Commissioner Moyle seconded the motion. There was no discussion; all commissioners voted aye, and the minutes of the Special Business Meeting held December 5, 2023 were approved.

Minutes: Idaho Economic Estimates Commission – December 4 and 6, 2023.

Commissioner Moyle moved to approve the minutes of the Economic Estimates Commission Meetings held December 4 and 6, 2023. Commissioner Woods seconded the motion. There was no discussion; all commissioners voted aye, and the Economic Estimates Commission Meetings held December 4 and 6, 2023 were approved.

2023 Forest Land Values

Chairman McCray recognized Jerott Rudd, Operating Property Bureau Chief to present the 2024 Forestland Values. Mr. Rudd noted that Rod Brevig, the Property Tax Forester, retired at the end of October. He had completed much of this work before he left, making it easier for Mr. Rudd to present these values today. Mr. Rudd reviewed the documents provided to the Commission and noted this is a result of a 2020 law that changed the valuation of forestland values. He summarized that they must review the stumpage values that this Commission approved in October 2023, then calculate a rolling 5-year average of the stumpage values, index that based on the 5-year rolling average of the stumpage value changes, and that becomes the forestland values this Commission will vote to certify for 2024.

Commissioner Moyle asked if these values were provided to the interested parties. Mr. Rudd responded that these values were presented to the stakeholders on January 5, 2024, with a comment period through January 18, 2024. No comments were received.

Commissioner Woods moved to approve the 2024 Forestland Values as presented. Commissioner Moyle seconded the motion. There was no discussion; all commissioners voted aye, and the 2024 Forestland Values were accepted.

Administrative Reports

John Bernasconi, Chief Operating Officer

Mr. Bernasconi welcomed Commissioner Woods. His senate confirmation vote has not yet taken place but is expected soon. The Commission's semi-annual employee meeting will occur in April. He has grown to love this event. It was fun when Leadership planned it, but it is great now that it's driven by the employees. He recognized the employee meeting committee, and all the committees, for their hard work in creating meaningful and dynamic content. He encourages all employees to be involved.

Legislative requests have begun to increase. It's been slower this year than in previous years. Aaron Yost, Government Affairs Program Manager, has a good committee. Mr. Bernasconi welcomed former Senator Rice. Mr. Rice has been invaluable in looking at the impacts on sales tax. All the Deputy's Attorney General are very helpful.

Empowering Parents is implemented again. This will be an ongoing program. It's the State Board of Education's program, but the Tax Commission helps validate adjusted gross income (AGI) and that went well this year. There was one challenge, but it was quickly identified and fixed.

The Agency remains focused on strategy. There are three critical success factors: We must retain, develop, and recruit great people; we must improve customer interactions; and we must implement operational excellence in our process. All those things are ongoing. Leadership meets on the third Thursday of every month for updates, to talk about strategy on the local level in the bureaus, and it's discussed every week in the Operations Leadership Meeting to identify any roadblocks, and to acknowledge successes. Strategy is front-of-mind, all the time.

Chairman McCray echoed Mr. Bernasconi's gratitude to the committees. He believes having the teams put together the Christmas parties they want, the Halloween themes they want, and the Employee Meetings they want is invaluable. In his relatively short tenure, he's seen the content and engagement improve. He knows the work is extra, but the dividend is great and it's fun for all.

Chairman McCray encouraged that when we receive legislative requests to evaluate potential legislation that we're reviewing those as a group to have a comprehensive evaluation of the proposed changes, and that we ensure those reviews are timely. The sessions are fast-paced, and we want to meet expectations. The important part is quality over quantity. He believes it's happening, but he wants to reinforce how important it is to meet our expectation of Serving Idaho.

Lisa Palmer, Appeals Manager

Ms. Palmer reported there are Appeals Resolution Meetings on February 7 and 28 at 10:00 a.m.

Appeals currently has 247 open appeal cases. From October 16, 2023 through December 31, 2023, they closed 106 cases. There were 545 total closed cases for the full 2023 calendar year. The average days to close an appeal case is 198 days.

They are fully staffed and the newest Appeals Specialist, Jessica Pilot, is becoming familiar with her new position and progressing nicely. Alan Pack, Appeals Specialist, after 35 or 40 years, will retire in June. They are transitioning some of his duties to others within the unit. He's been with the Tax Commission for a very long time, and he will be missed, but he's here for a few more months and they're taking advantage of that.

Ms. Palmer thanked Julie Eavenson and her team for the writing workshop they presented for the Appeals and Legal staff.

Commissioner Zwycart said that the average age of 198 days for cases is very good. While it looks like a lot, he complimented her for trying to get those down to 180 days. He knows that often those cases are dragged out and she and her staff are doing a good job.

Chairman McCray asked if the 545 cases closed is the highest number of closed cases for a year. Ms. Palmer said she'd need to research and that information later. Chairman McCray said in his tenure of three years, he believes that's the largest number of cases they've been able to close. Either way, well done. He asked Ms. Palmer to elaborate on the writing workshop. What was learned? Ms. Palmer said it's the same things, as an agency, they work toward: Use Plain Talk, when possible; write in an active voice versus a passive voice; and don't bury the lead. While there are some experienced writers in the group, everyone can learn something. They are working more on consistency; not that every Appeals decision must look exactly like any other, but that there is consistency in presentation. Chairman McCray said that it's important to have a decision that is easy to follow and track the issues and resolution. Decisions can be confusing, and he appreciates everyone going through the training and Ms. Eavenson for providing it. Ms. Palmer responded to Commissioner Zwycart's question about any follow-up classes by saying that basic Plain Talk classes and the advanced Plain Talk classes are available to everyone in the agency. Several of her staff have elected to attend the Basic and Advanced classes again.

Evan Sailor, Compliance Division Administrator

Mr. Sailor began by reporting on the Compliance Division's open development work orders (SQRs). They currently have 16 open work orders. The majority of those are due to the FAST Collection Services (FCS) that went live on November 6. There are 14 recommendations built into that and as they run the recommendations, they have experienced some minor issues, but they're getting those fixed. Mr. Sailor recognized the FAST Team and his Automated System Coordinators Beth Gasseling, Dorice Archibald, and Rebecca Ewing. They've written many of the requirements documents and scopes of work, and they're staying on top of everything to keep FAST Collection Services running as smoothly as possible.

The next two projects include the Taxpayer Access Point (TAP) Payment Plans. The payment plans changed with FAST Collection Services. The non-logged-in version allows many more payment options, from three months to two years with no lien filed. However, the logged-in payment plan only allows either a twelve-month option with no lien, or twenty-four months with a lien. They want to change the logged-in version to match the non-logged-in version. The second project involves the permit-based payments and the estimates on cases for non-filers. They've found the Compliance Officers "chase zeros." They want to change the system so that many of those cases aren't created initially. The Compliance Officers can then pay attention to their other work, which will lower the case numbers.

Regarding statistics, since July 1 to December 31, 2023, they've created 64,000 compliance cases and they've closed almost that equivalent at about 63,700 closed. They currently have 67,000 cases open with an accounts receivable balance of \$202.5 million. They've recovered, for the six months of this fiscal year, \$116 million. Part of that recovery now includes recoveries made by Professional Credit, the outsourcing company, of \$217,111. Most of these cases were uncollectable and would have eventually been written off.

Training has been focused on FAST Collection Services and that implementation. For the change management, they created a Share Point site specifically for FCS and all associated training goes there. Kaylea Harrold has been posting Power Point presentations and videos there. They also continue to push their philosophy of "CODE," which is: contacts, options, deadlines, and enforcement actions. It's helped with the Compliance Officers' time management.

The biggest accomplishment over this last quarter is that they are getting their new hire training downloaded into Luma. Zak Viker is helping with that. There are two new Compliance Officer 1s starting who will test the process. Kaylea Harrold presented "Capacity Planning" at the FTA Conference in Tucson, AZ. It was well received, and several states have asked about FAST Collection Services and Idaho's CODE concept.

They've hired two new Compliance Officer 1s in the Boise office, Michelle Carpenter, and Oliver Gauthier, who start on February 5. In Idaho Falls, they've promoted Ashley Brewster to a supervisory Compliance Officer 3 position.

Additionally, the "hunt" group has been successful. They changed the phone numbers on letters from the Taxpayer Services telephone number to Compliance telephone numbers. They've been experiencing a success rate of 98 – 100% on all calls. Compliance processes 55 – 60 calls per day, and on heavy days, they take about 120 – 130 phone calls.

Commissioner Zwygart asked for elaboration on the "hunt" group. Mr. Sailor said in Boise, we have our own phone system. If callers dial 7633, the call goes to all Compliance Officer 1s. When fully staffed, there are about 25 people in the Boise office to take those calls. The officers all log into the "hunt" group, as part of their duties. When someone calls wanting to speak with a compliance officer, the call bounces around until an available officer can provide service. They track it to see who's logging in, who's answering the phones, and who's not answering the phones so they can address that. They track it every day. Earlier he spoke about the non-filer estimates. Last month, 11,000 letters were sent in one week with penalty notices of deficiency. The phone calls the following week increased by over 100 calls. When that slows down, they average about 50 – 70 calls per day. They track the numbers answered, and they're usually about 98% - 100% between 8:00 a.m. and 5:00 p.m. Commissioner Woods asked where the term "hunt group" derives? Mr. Sailor deferred to Julie Eavenson, Public Information Director, for the response. Ms. Eavenson said it's a term used by the provider, Cisco, to create a group of agents that can answer the same telephone number. It's the same system they use in the call center. The call comes into one number, but anyone assigned can answer those phone calls. Chairman McCray recognized Mr. Bernasconi for comment. Mr. Bernasconi said "hunt group" is a Cisco term, but it's an internal term. It's a way to aggregate calls and is used to put groups of similar-type calls into one area. Commissioner Zwygart asked if the time on hold is related to this "hunt" group. Mr. Bernasconi responded that those numbers, reported by Ms. Eavenson, are for the Taxpayer Services group.

Commissioner Moyle commented that we need to educate those outside the agency that anytime we touch our software system, or do something with FAST, it takes resources and time. When something is touched in one place, it may affect something elsewhere within our different units. As we talk with the Legislators, there is a thought that any legislation coming forward makes the Tax Commission's job easier. What they don't think about is that anytime we touch the computer system, it makes this job harder, and resources are needed. She doesn't know how to get that point across but hearing things like this within our open meeting and hearing some of the challenges, she believes it helps. She thanked Mr. Sailor for bringing it forward. Chairman McCray said Mr. Yost, the Government Affairs Program Manager, can use that as part of our dialogue, and anyone who has dialogue with the outside community when these questions arise, making sure that it becomes part of the conversation. He's not sure it needs to be a specific effort, that we're out looking for resources, but part of the conversation needs to be that every action has an equal but opposite reaction. There could be consequences to the request that requires funding or personnel and that is a great reminder.

Chairman McCray asked about FCS. Chairman McCray committed to providing solid numbers for the next Joint Finance and Appropriations Committee (JFAC) hearing that would validate the good work that is taking place. He asked if Mr. Sailor has any thoughts on establishing a baseline versus the additive that FCS will contribute. Mr. Sailor said he and Mr. Bernasconi met with FAST recently to discuss a dashboard and a recoveries report. The initial estimate was 10% of accounts receivable, or \$20 million. There are data cubes from which they can get some data, but it's more of a recommendation of what's been applied and the results. FAST showed them the concept of recoveries so he's hoping they'll have data soon. Once the report is available, Mr. Sailor will be able to pull the total recoveries and to break them down. They'll be able to determine how many cases were resolved through self-cure, for instance, and the amounts recovered. They just don't have it yet. Chairman McCray said, after seeing the product, he's very confident we'll have extremely good data, and probably more accurate data than we've had historically. He just wants to ensure there is a "bright line" between what we would have collected in a typical year, typical cycle, versus the benefit that FAST Collection Services brought to us. He

recognizes the challenges of that being somewhat blurry. He's had this conversation with FAST, also, so it's not a new request. He asked that Mr. Sailor keep in mind that we must articulate very well that traditional recovery would have equated to X, and with FAST Collection Services, it equated to Y. Mr. Bernasconi said the way we're working right now is basically a stacked bar. There is the traditional collection stacked-bar approach. The top of that is a thin slice of the outside collection agency, then on top of that would be the FCS. It should be very clear to explain what was collected in the past, what the projection of that based on those historic numbers, and then the "cream" on top. There is nuance in there with the challenge of COVID and how that affected collection activity. Then the rebates that resulted in collections that might otherwise have gone to a collection activity, so it overinflated the numbers a bit. They're trying to figure out how to adjust for that.

Chairman McCray said that when looking at the outside collection agency recoverable versus the debt, it's a small percentage. Do we expect that percentage to increase soon or are we at a plateau. Mr. Sailor said he expects that to go up. We are at about a 3% success rate. We should get close to about 10%. He mentioned previously that we gave them many cases in the beginning, the worst of the worst. Those were the oldest, uncollectable cases and there wasn't any workable evidence for them. We didn't expect big results. Moving forward, the plan is that we'll start to provide them with the previous year's income tax cases, and he believes the success rate will be higher and raise the percentage of recoveries.

George Brown, Property Tax Division Administrator

Mr. Brown said first he wants to talk about the format of the report he submitted to the Commissioners prior to this meeting. He added extra detail and he'd like to know if the Commissioners like that or not. Some of this came from some internal changes. Losing Matt Virgil, Consulting Appraiser Supervisor, has created a hole in the whole state and has made Mr. Brown directly responsible for the consulting appraisers. He asked them all for a report of what they're doing in each county, to give the Commissioners an idea. There are about 25 or 30 counties for the Commissioners to review and to see what they're doing daily. It provides an idea of some of the general problems in the counties. The education report is always submitted by Jeff Middleton, the Education Director. Mr. Brown said he distills the report for the Commissioners, but he chose not to do that this time. Please let him know if this detail is acceptable or if a more truncated version is better.

Mr. Brown reported that his geographic information systems (GIS) department is now fully staffed. He thanked Jacob King, the supervisor who's been here for a couple of months and who's been coordinating everything. He arrived to find a mess, and he's a new supervisor that's never worked for the agency. But they're on-track now to complete the statutory responsibilities this year because of his hard work and dedication and direction. There were previously four staff in that department. They've cut that to just three but hired three really good ones. If their workload increases, they may have to add a fourth.

Another issue that resulted from Mr. Virgil's passing, and the loss of Jace Cundick, who left for another position, is there aren't enough consulting appraisers. There are only five consulting appraisers. One major change he's made includes advertising for two Consulting Appraiser Supervisors instead of one. That department previously had two managers, one responsible for the Northern part of the state, and one responsible for the Southern part of the state. When Mr. Virgil took the job, the state had monetary issues and they consolidated it into one position. That worked because Mr. Virgil was a "unicorn" who didn't mind spending 130 days in motels and putting 6,000 miles per month on his car. Mr. Brown doesn't think that is a realistic path forward. He believes we'll better serve the counties and us by splitting that back into two supervisors. The position announcement closes on Sunday.

Once those two supervisors are hired, he'll hopefully have three positions under each. One of those positions will come from the Forester position. They're hoping to hire a hybrid Forester/Consulting Appraiser Forestry person up North. Mr. Brown traveled last week to the Southeastern counties and took Leslie Warnberg and Robert Rios with him. They will be the two closest Consulting Appraisers for those Eastern counties. Mr. Rios is in Twin Falls, and Ms. Warnberg is in the Rexburg area. Until there are more people hired, these two individuals will take care of that area, so Mr. Brown took them to Eastern Idaho to meet with all the assessors and

many of the treasurers and clerks to make introductions and to assure them they will be supported during this busy time of the year. (The initial ratio study data collection and calculations are currently ongoing.) He said he thinks this will be a good change. Times of change always come with a certain amount of stress for everyone but in the long run, this will be a much better way to do things. They'll have shorter response times and a little more contact with the supervisor in some of the other counties because there will be two supervisors. Traditionally, they've had very rigid support of a county by a consulting appraiser. What he wants to do is create a team assignment and then that team's supervisor can determine how they'll provide service based on experience and expertise of the appraisers, and of course, where they live.

Commissioner Moyle said property tax has gone through some tough times and she thanked the Property Tax team. There were some struggles, and we worry about them and want to make sure everyone is safe and sound and make sure that everyone's emotional well-being is taken care of as well. She asked him to thank his team for the Commissioners and to know the Commissioners appreciate them. As an added comment, she loves the detail. More is better.

Chairman McCray asked Mr. Brown to clarify the organizational design of the consulting appraisers. Mr. Brown said they've had six consulting appraisers, plus one supervisor, for a total of seven. Very rarely have they staffed six. It's just been the past year that the team was full. This organizational structure will increase the total to eight. There will be two supervisors with three appraisers under each. Chairman McCray asked if that eight includes the Forester position mentioned earlier. Mr. Brown said yes. He's waiting to hire the supervisors before hiring the consulting appraisers. The forestry position, with the law changes of four or five years ago, where the counties can't really reclassify land, the work of a forester at our level has really gone down. It's more technical calculations that anyone in the Operating Property Bureau can do, or a consulting appraiser, because it's putting data into a formula that's in law to get a value. The forestry aspect was to go out and determine how productive land is and the need for that, while not entirely eliminated, it's probably 90% eliminated. A county can't change the classification of land unless it's part and parcel to a lawsuit that comes from the taxpayer, or if land is rolled into forestry – if it transitions from agricultural to forestry. That is 15 – 20 parcels a year in the whole state. Mr. Brown says they feel it isn't necessary to have a full-time experienced forester working for the state. He's exploring options for training but right now, they can provide training in that expertise to counties by either hiring our former forester, who is teaching a class this year, hiring an outside forester, or he's reaching out to the Department of Lands who have several foresters and there's no reason the Tax Commission can't sign a memorandum of understanding with Lands. If they can find someone that works in northern Idaho, that may already have forestry degrees, who works in a county as an appraiser. He could move them in with the consulting appraisers and have them do it half-time. The advantage of that is having someone that has a finger on the pulse in the industry, someone that knows people at the sawmills, or other foresters, and is an educated person in the market that tracks the ups and downs. That's what he's looking for. Chairman McCray said he loves the hybrid work and tapping into the multiple talents to solve the problem. Commissioner Moyle said this is a very active group and Mr. Brown will create tension with this decision. It will be very important for Mr. Brown to communicate clearly and quickly and be on top of it or it will become a train wreck really fast. She cautioned him to be very careful. We need expertise in this area, especially with as active as this particular group is, so do not lose sight of that in making these decisions.

Commissioner Woods said they've heard from the Commissioners in northern Idaho about this concept and they're reserving judgement. In his limited experience, it's the stumpage values. Figuring out what those mills are paying is a challenge. It's another non-disclosure issue in the valuation endeavor. He likes Mr. Brown's proposal of partnering with the Department of Lands. They're going to know; they have timber sales all the time and could help. The Committee on Forestland Taxation Methodologies (CFTM) meeting is March 13 and he's sure this will be discussed. Commissioner Moyle said that as Commissioner Woods gets into this, he'll discover what this group is really like. The Department of Lands' sales and auctions are a little different than what is actually going on in the industry, so she urged him to keep an open mind and tread lightly. Mr. Brown said the method the Tax Commission uses to get numbers is already through the Department of Lands and through direct sales which are required to be reported. He doesn't think that part will be an issue. The issue is mostly with

county assessors. The counties that relied heavily on Mr. Brevig to do their jobs, to an extent, will have more to say. As far as the technical aspects are concerned, he doesn't believe there is an issue. He would like to engage with Lands because everyone knows Lands and they work with counties as well. It's a good resource to have when something does come up, that "once in a while" thing, and it would be nice to have foresters that work for the state that we can rely on for advice instead of hiring out.

Rick Mascall, Revenue Operations Division Administrator

Mr. Mascall highlighted the growth in the statistics. The electronically filed individual income tax didn't increase much, in terms of percentage, but it shows paper returns dropped by 5,000. That clearly offsets, but it's still a small percentage on 1 million returns. There are so many benefits to filing electronically. The business income tax return numbers also aren't as large but there has been an increase of about 10,000 per year over the past three years. Electronic business income returns are increasing. The biggest increase is in refunds. There's a significant increase from 2021 to 2023; even 2022 to 2023 with a 54,000 increase in the numbers of refunds with the average going up to \$755.00. It almost doubled from 2021 to 2023.

The Idaho Business Registration (IBR) decreased. One of the reasons for the decrease is they changed their processes. Previously, they'd receive a payment, or something they didn't recognize, and would set up an account for that payment. The team modified their process and are no longer creating those accounts. That doesn't mean they aren't receiving many IBRs, between 500 and 600 per week, but they're not setting up unnecessary accounts, making things more efficient. That is also reflected in the numbers for withholding and the sales permits which have growth year over year, with 4,000 more active withholding permits, and 5,000 more active sales tax permits.

Mr. Mascall said he's happy that they are in a steady state in Revenue Operations. They're still working on the same training they have been, and they keep improving it. They're customizing the training more for people already there and for those coming in. They still have recognition initiatives going on: The Rock is going around, and they have Comment Containers. This year, Nick Ritchie, Program Supervisor in Central Processing, hand wrote personalized notes for everyone in the Division to recognize the work they've done this year. The notes, signed by all the Revenue Operations Managers, were delivered, along with Styrofoam turkeys, for every member of the Division. It was nice that he did that because the team looks forward to those each year.

For recruitment, they use Operational Excellence to track how many times offers are accepted. That was 98% throughout the last quarter, and the turnover rate was about 3%. Most of the turnover was due to people moving into other positions, either in Revenue Operations or in other divisions. They've begun bringing in temporary employees. At the time the report to the Commissioners was submitted, eight employees had started in initial data operations (IDO), and he saw that there are many more starting today.

Revenue Operations teams have been working to improve operations in each unit. IDO has improved controls and has become more disciplined in their approach to work. The Coordination and Design Team also improved the ways they process referrals by using systems more effectively and efficiently.

The updates for tax year 2023, FRED, went well. They've continued to build automation into the system. This year, the team included a way for the system to match the affected business entity (ABE) credit to a business return. That was done in 2022 for individual returns, but now it will work for business returns, as well. Last year, there was a team of six people on the Software Authorization Team. They authorize three things: the 2-D bar codes, substitute documents (taxpayers can print their returns from an electronic vendor but the formatting must match), and the Modernized e-file (MeF) software from the IRS. Last year's team of six worked overtime and were late delivering; this year there were three staff who were on time. He's proud of this team. Lisa Kopke, Financial Executive Officer, will recognize Vonnie Larsen and Joe Blades of the Tax IT Operations Team for the help they provided the Idaho Falls Field Office in January. Mr. Mascall further recognized the FAST developers and the IT developers who've supported more than 30 projects this year, which included FRED and the Fast Collection Services.

Right now, there is one vacancy in IDO, and they are recruiting an Automated Systems Manager and a Software Engineer II.

Chairman McCray asked how the Software Authorization Team was able to accomplish the same amount of work with fewer people. Mr. Mascall said they added organization to the team. Last year, they developed a project plan and realized there was lost time. This year, with that baseline, they were able to improve upon the process. It's a combination of things. Chairman McCray commented that it sounds like a good continuous improvement project.

Chairman McCray asked for Mr. Mascall's projections for this tax year. Mr. Mascall said he went slightly higher this year, so he's looking for 1,000,031.

Kim Wind, Audit Division Administrator

Ms. Wind said she is reporting on data through December 31, 2023. They have 25 open work orders (SQRs). Two years ago, they had as many as 90, so the new annual plan has completely changed the project focus and things are getting done. They still have 15 projects waiting to be opened, but it's a big difference in focus. They are very busy and focused to get things done. She loves the annual plan. With the International Monetary Fund (IMF) automation, their discoveries, which is their audit selection, and she wants to highlight that not long ago, they were working in tax year 2015, but the IMF project helped them move things, so they're working in tax year 2017 which helps. They're always asked why they're so far behind. The goal is not to be so far behind. That project helped them get to a more current year in the audit world.

The fraud statistics are based on a calendar year. Almost \$30 million in refunds requested were denied. The biggest fraud was fake W-2s. The year before, there was one big one, and she asked if there was one of those this year. Her team told her no, that there were a couple of schemes with W-2s and the average for the two schemes were \$7,000 and \$12,000. The fact that they stopped more returns with the dollar amount that high makes her very proud of that team. They are always adjusting the Fraud Plan; it's a small and mighty team. Deanna Messenger compiles this report and Ms. Wind appreciates her knowledge.

The criminal report is changed. They are recruiting a Tax Audit Manager for the Criminal and Fraud Unit. The Tax Discovery Bureau Chief put this report together and it includes all the charges they've submitted and that are waiting to be finalized. The list has grown, but the courts are moving quicker now. They submitted several in 2023. While the courts are moving quicker, the cases are complicated and take more time.

The audit statistics are reported by quarter, as well as the fiscal year-to-date for this meeting. She highlighted the fiscal year-to-date for 2022: there were 8,085 audits with recoveries at about \$39 million. And in fiscal year-to-date 2023, there 8,705 audits, which is quite a few more audits, but recoveries were \$29 million. That's less, but shows the ebb and flow of audits, depending upon complexity. They've seen increases in the voluntary disclosure agreements (VDAs) and the sales tax marketplace has also increased. They are still seeing the VDAs come through in the marketplace. It's a good program because they're coming forward to report unpaid taxes, then Audit helps them come into compliance.

Sales Tax Audit held their quarterly staff training in December. The training included topics from the Fraud Unit, Amusement Device Audits, Audit Best Practices, and a discussion on the commitment to customer service and taxpayer education. Ms. Wind said she was able to sit in on the last one. It is a highlight to remind everyone that customer service is the highest priority, and they take it very seriously. After every audit, they send a survey. In Fuels Audit, yesterday she received results that one auditor, Eric Robbins, received all 5's on a scale of 1 – 5. When asked to respond to, "Please tell us how we can improve our customer service," the taxpayer responded that the 'auditor was professional, courteous, and did a good job explaining the process and the results.' Eric Robbins did a great job. No one likes to get their letter, so when they do, Audit tries to make it as comfortable and as easy a process as possible. Additionally, the Income Tax Auditors met their Quarter Four

Points Challenge. They have goals set based on complexity and how many audits they complete, and they successfully met their challenge.

Audit has several open positions, but for the first time they are actively interviewing many people. Their hiring lists are improving. They had many qualified applicants and they've hired very talented people. They're doing a very good job recruiting.

Commissioner Zwuygart thanked the auditors for what they do every day. He sees cases when they come through Appeals, and he feels for the auditor because more information comes in after they finish so that it looks like, by the time the case is in Appeals, that the auditor is being shot down, but the reality is that the taxpayer has finally provided documentation. Ms. Wind said she appreciates that; they know it because Appeals is a tool available and when the case is appealed, the taxpayer finally responds with everything else they need to provide. Commissioner Moyle added that Audit has over 8,000 cases, but there are only 500 appeals. Those are pretty good odds.

Chairman McCray appreciates the graphs Ms. Wind provided in her report and asked about the VDA approval process. Ms. Wind said there is a group that receives the VDA and determines whether they meet the criteria, then the Audit Bureau Chiefs approve them. They work with Elisa Magnuson, the Lead Deputy Attorney General assigned to the Tax Commission, to ensure the agreements are correct. Ms. Wind recognized Robert Foster and Rebecca Danley who are very good with graphs, and they have new reporting. She's very excited about it because this was all their doing.

Chairman McCray also highlighted the fraud numbers saying that essentially, \$30 million was stopped from being erroneously paid out, so he agrees that they are a small, but mighty group. It's important work they are doing, so keep it up. There are many bad actors out there.

Julie Eavenson, Public Information Director

Ms. Eavenson responded to questions asked previously, as they fell under her purview. To Commissioner Woods' question about the phone system. The phone system automatically delivers the call, which is why it's called a "hunt group." It's an active system, rather than passive, so it's pushing the calls to all the agents. She believes that's why the industry calls it what they do. It means that no one is waiting for a call because it's "hunting" for the next available agent.

The Power Point presentation Ms. Eavenson provided for the Appeals Unit, and that she can provide to anyone, focuses on using shorter sentences, simpler language, and using the spelling and grammar feature in Microsoft Word to address passive sentences. If anyone has taken the Plain Talk classes presented by Steve Taylor, Training Specialist, they will know that he says you can tell a passive sentence if you can end it with, "by zombies." The presentation she provided focuses on a few things to help people tighten up their writing. Plain Talk is in Luma, but it doesn't let her team know who has signed up for the training.

Since January 21, 2023, they've had five different people hired into Audit and Compliance. Three went to Audit, and two went to Compliance. They've had nine new hires. Three started yesterday, and one hire is pending in Coeur d'Alene that will be a combination Front Desk and Taxpayer Services Representative. She hasn't published that she's extended the hours in the call center to 5:30. They've been actively doing that. It is less pressure on them and provides flexibility for the staff. She wants them to be happy there. Some calls are tough, but newly hired staff are reportedly happy, saying they've never worked in a place like this. She thanked the Commissioners for their support in getting Taxpayer Services moved to their current location upstairs. There are only two people that have been with them since before January 21, 2023. Everyone else is new and they're finding new opportunities within the Tax Commission. She's training her Leads to expect that; their job is to recruit talented people, to train them, and to have them look for opportunities. She wants to get people hired and to bring them up. They've been able, with the training they've done, to get agents on the phone within two weeks with a level of confidence. With Mr. Mascall's help, they're training them in the processes within the agency. She

thanked her colleagues for their support. Taxpayer Services is building a reputation that reflects what happens in Revenue Operations or what happens in Audit. It's making the calls go faster.

She thinks they are moving in the right direction which is why she changed the way she's reporting on the Call Center in 2024 and beyond. In looking at the number of calls handled and the percentages, it's decreased by about 50%, while the average handle time has increased. She wants to be able to track what happens as they are developing training and measuring the accomplishments of the call center and making improvements with the soft skills. She wants to track how they get to the issue sooner with the agents, and there are new people that are still learning. They'll still build rapport, but they'll ask similar questions. They're getting more professional. She's excited to report that Greg Smith will start working with the Tax Commission on February 5 as the Call Center Manager. He has almost 14 years' experience in a third-party call center. He's very excited to be there. She's looking forward to what he'll bring and the focus he will be able to dedicate to the team. She wants them to have the support they need to focus on the things they can improve. She thinks they'll be able to track the percentages of calls handled as they improve the training. If there are other things the Commissioners would like to see in this report, please let her know, but this is the format she'll use going forward.

Ms. Eavenson has provided an updated copy of the Communications Strategy that includes only a few changes she will focus on with the same objectives. Communications should align with Operational Excellence, so she added a new strategy which is more for her unit than for the agency.

Commissioner Woods thanked Ms. Eavenson for the information and for everything they're doing. It's interesting to review the tables of information she's provided, saying when thinking about what was happening in 2019 versus 2020, versus 2021: there are so many things going on all the time that this measurement is interesting. He asked if there is another call center we use to draw on for metrics. Ms. Eavenson said that in the state of Idaho, there isn't anything that looks like the Tax Commission call center. She jokingly asked for 25 agents, but the Department of Labor, for half the number of calls, has 35 agents. The closest thing to this call center is other revenue agencies so she's been networking through the Western States' Association of Tax Administrators (WSATA) and the Federation of Tax Administrators (FTA) to get ideas, and she's drawing on the private sector and some of the things that work there. Steve Taylor previously worked for Hewlett Packard, and now Greg Smith is coming into the agency from the private sector; they will help meld the customer service we must have as a government entity with the best practices of the private sector. She'd like to say that we're like other places, but taxes, and all tax types in one place, is a big lift. Commissioner Woods said it is and considering the subject matter, he's surprised that Ms. Eavenson can train someone and have them working in about two weeks. It's amazing. Ms. Eavenson said that is owing to Steve Taylor, Janet Rostock, and Kristen Strobe, who have completely changed the culture. They've been focusing on how they get people the information and training they need to answer most of the questions that come in, the high frequency questions. In six months, they've made this change. With the resources they have, and the number of calls, they will never be at 100%, but she'd like to be back at 80%. They're looking at the soft skills and training and creating opportunities for people so they want to be there.

Commissioner Moyle reminded everyone that the call increases included the three rebates and the Empowering Parents grant. As the numbers go up, they're not necessarily tax related. Legislation changes reflect in that too. We are the only agency that has worked with the same number of people since 1980 with the growing population we have. The fact that we're improving is appreciated. Wrong information, or misinformation, reflects in taxpayers' attitudes and can reflect in the types of appeals they see. We are doing four times the amount of work and for some reason, no one seems to think it will take longer with no resources.

Chairman McCray complimented Ms. Eavenson on the training and echoed Commissioner Woods that it's amazing to get people capable of getting on the phones within two weeks. It really highlights the importance of the Operational Excellence work we're doing because whether you follow the OE process or not, putting together that systemic, methodical means of transferring knowledge is how we're going to survive our turnover and bring new people on board. He thanked the team for that. Additionally, he's witnessed this team teasing each

other about trading personnel, but his personal philosophy is that there are two characteristics that employees look for: 1. Understanding their purpose and how it fits into the organization, and that the task or job they're doing has meaningful impact; and 2. having development opportunities. He's not sure anyone in this room, or anywhere in our careers, has worked with people that are just satisfied doing the same thing for 40 or 50 years. He thinks people want those opportunities and he appreciates that she recognizes the value that brings. He encourages all leaders to help our team members by helping them grow. That is what stimulates an engaged workforce.

Lisa Kopke, Financial Executive Officer, Management Services

Ms. Kopke said she has not provided revenue statistics; however, she directs everyone to the Tax Commission website. They've been trying to get the new comparative report built in the Luma system and it took them much longer than they'd hoped. Once they did, they were very proud of the way it came together. She recently met with State Controller Brandon Woolf. She thanked him for his and his team's time. Looking forward, with the Luma process and the financials they're putting out, it's less about how we survive, but how do we thrive. What can we do to provide more information. She thanked Mr. Bernasconi for his help with the footnotes in the report. She thinks having footnotes on our financials gives some direction, and answers some questions that may come up, especially from legislators who are trying to make hard decisions about money and what's available. She thinks it will help in the long run.

The Tax Commission budget hearing was last Friday. Hopefully the budget setting will occur this Friday. For the current fiscal year, the personnel dollars remaining is 51.5% which is a big improvement over this time last year. This reflects our strategy of retaining great people. In the operating budget, there is approximately 56% remaining. A large portion of the operating budget is spent between Tax and sister agencies for things like the Statewide Cost Allocation Plan (SWCAP), the annual Information Technology Services (ITS) bill, and Chinden Campus rent. Those are all things paid internally to other agencies. The process changed with Luma, so she's postponed paying some of those, so we're a little delinquent, but about \$5.5 million of the remaining budget is earmarked for those charges. In capital outlay, there is about 97% of the budget remaining, but all the equipment legislators approved for us to purchase has been ordered. We've either not received it or haven't yet paid for it; we don't pay invoices until the product is received. That was about \$189,000.

Management Services has 47 software development work orders (SQRs) which attests to the comments made earlier by Commissioner Moyle that every time we touch our system, there is more work to do. Although only nine of their SQRs were directly related to the Luma changes and things they had to implement into Gen Tax. Many are enhancements for continuing improvement. Ms. Kopke said they have a new revenue accounting FAST representative who worked on an SQR they've had open for about one year. He came in and within a couple of days had resolved the issue. She's glad he came to us.

The annual Christmas party, Ice and Lights, was held this past December. The Steering Events Committee takes donations from employees and the Leadership Team to make these events happen. The Steering Events Committee is about to do a budget reset. The way they spend the donations from employees is set on a calendar year. The Committee plans all those events up front and assigns budgets to those.

Ms. Kopke again recognized Vonnie Larsen and Joe Blades in the Tax IT Operations Team for their help in Idaho Falls. They drove on icy roads, moved all the IT equipment upstairs, and got it all up and running before driving back in a snowstorm. Management Services has one vacancy. She's promoted from within and they're hoping to backfill the vacant position.

Rhamona Grabenstein, Human Resource Officer

Ms. Grabenstein said that as everyone has reported, recruitment is alive and well in Human Resources. They are enjoying the changes Luma has brought with the easier application process, their partnership with the Taxpayer Resources Unit (TRU) in getting more stable advertising and putting the Tax Commission out there as an employer with the partnership with the Idaho Press. As a result, they are seeing better hiring lists by reaching

different people. She believes it's a confluence of many factors and she's very grateful. And we're promoting from within, so it's a constant flow of recruitment activity.

They have two recruitment fairs planned for February. They will be attending the Northwest Nazarene University (NNU) job fair on the 7th, and a Boise State University (BSU) job fair on the 14th. Leaders from the agency will be attending those events with her team to market their positions and see candidates face to face. They're hoping to attract even more people with those activities.

They had a wonderful hiring event for the seasonal temporary employees on January 17. She couldn't believe the number of people who came in with the weather the way it was that day. It was the worst snow day, and 25 people walked in, who had just heard our advertisements. They'd also been accepting applications and resumes and scheduling interviews. That event netted them filling their needs for the season. Those start dates are staggered and some will accept full time employment elsewhere before they start at the Tax Commission, so her team continues to recruit. If anyone is aware of someone looking for seasonal work, or wants to learn about the Tax Commission, this is a great way to do that.

The other great way of getting an understanding of the agency is through the internship program which is growing this year. Last year, we had three interns that worked from May to the end of August. There are now six internship opportunities in the agency, and they've decided that the best way to do this, and based on feedback from the last year's interns, was to have either a project with a start and end, or to have them do actual Tax Commission work as an intern that would apply toward their degrees. They're writing it up that way and showing what we can offer to universities. The goal is to reach out to them in March and hopefully start collecting resumes in April to start when the school year ends.

Our strategy is to retain, develop, and recruit, and part of retaining and developing is training. Human Resources tends to focus their training on the agency leaders. In the beginning, the Hire to Retire series was offered to, and mandatory for, all supervisors, and there hasn't been much turnover. Now, with the Luma functionalities working, they will make the series optional and offer more of the soft skills: how to deliver a performance appraisal, what leaders' roles are in the strategy. They are also starting another Tax Leadership series that is facilitated by previous graduates of those first classes. That will begin in February. They are offering two sessions on Emotional Intelligence. It's a 2-part series that will be offered twice during the year.

They are also implementing Operational Excellence in Human Resources, looking at how they build culture with newly hired staff. They wanted new hires to have a state ID and access to Luma and all the needed tools when they start. To that end, they've changed the way they extend offers and deadlines to accomplish that goal. The hope is to free up some time for the managers, and the impression that we were prepared for the new person. As more tools are built into Luma, it will provide more flexibility in how the supervisors train during the first week of employment.

The state's Annual Cyber Security training should be coming in March. The Tax Commission will hold the other required training for the agency in October. From a safety and security standpoint, with all the weather changes, there have been some slips and falls that resulted in medical claims, though not lost time claims. The incidences were reported through Luma, so the incidences can be tracked. Employees are also creating safety observations in Luma. The Career Mentorship Program committee has met, at about the halfway point, and they are hoping to increase exposure and participation in that program.

Anyone that has a performance appraisal due on a calendar year cycle should be working on those now. Her team will be answering questions for those that are having trouble with entering performance appraisals into Luma during the Hire to Retire session tomorrow.

Commissioner Moyle cautioned Ms. Grabenstein that taking away the mandatory aspect of training will cause people to not attend. Ms. Grabenstein said she is also concerned that may happen, but within Luma, they

can enroll all the supervisors into the classes, then they register for the class of their choice. When she sees registration is low, she can talk to her colleagues to let them know, and to help her determine why the registration is low. She can adjust quickly. We are all committed to the continual training of our supervisors and leaders because that's how culture is created. She is excited to use Luma in this way.

Chairman McCray commented that he does see social media advertising and agrees that it is a combination of marketing, identifying who we are, and promoting our vision that is helping us to get better quality hiring lists. He asked if there has been any discussion with the Division of Human Resources about doing another state job fair, like the one from a year or so ago. Ms. Grabenstein said she doesn't have any dates, but she has proposed it. They are hiring a Recruitment and Outreach Manager, and she's hoping they will commit to some dates soon.

Aaron Yost, Governmental Affairs Officer

Mr. Yost reported that the legislative session is going strong. It began January 8. The annual conformity bill has been introduced and will be presented this afternoon before the senate committee. The Bill Tracker is up and running, but as of now, bills have only been introduced.

Mr. Bernasconi noted earlier that engagement on legislation has picked up and Mr. Yost thanked this entire group for the support he's received with getting subject matter expert eyes on the legislation coming through so he can compile and respond timely. Generally, it's within 24 hours. The other big thing this legislative season is the Tax Commission rules. There are four dockets going before the legislature this year: two Income Tax, one Sales Tax, and the other is the zero-based rule (ZBR) chapter rewrites for Mine License and Property Tax. Everything is moving quickly. The Property Tax rules are before the senate committee tomorrow and he was just notified that rules will be heard in the house on Monday. Their focus is to be available for the entire legislative session until sine die and after that the public rulemaking sessions begin. He will also attend the Multistate Tax Commission Spring Conference in April.

Mr. Yost has talked about the two ZBR chapters up for review this year: Mine License and Property Tax. Next year will be Fuels Tax, and Tobacco Product Taxes. Those will go through the public negotiated rulemaking process. Over this last rulemaking session, his team had the opportunity to observe the operational excellence process and the plan, do, act, adjust principle. They spent considerable time analyzing the rulemaking process this year. There is a strong focus, and many statutory requirements they must follow. They have a rules coordinator who's responsible for ensuring everyone meets the deadlines and that everyone is following the process. He's very pleased with the way the coordinator works to provide curated focus for the chairperson to be able to focus on the content. There is a content owner and a process owner. Through the process, and understanding what they've done in the past, they've created a draft process and procedure that talks about how they conduct meetings. This year he intends to repeat the cycle and adjust what's needed to continue to move forward.

Commissioner Moyle said she thinks the best improvement that's been made is how to conduct a meeting. That process has improved greatly, and she would love to see that continue to improve. That was the key to helping the outside stakeholders have good communication and bridging the communication between them and the Tax Commission. She looks forward to that continuing. Mr. Yost said one of the great things about this is that in conducting meetings, they failed to realize how much education they needed to provide. That was a significant part of their agenda, so his team has taken an active approach in understanding ZBR and making that a critical piece of educating what the requirements are for these Rules committees, both for those preparing the rules as well as educating the public. He thanked Commissioner Moyle for highlighting that.

Commissioner Woods asked Mr. Yost to elaborate on the collaboration with the Idaho Department of Commerce to support Idaho companies that is presented in his written report to the Commission. Is that Idaho companies and what is the forum for these gatherings? Mr. Yost responded that the collaboration to support Idaho companies is largely due to Tom Shaner, Research Manager, who's the primary contact. When there are credits for Idaho businesses, or to attract businesses to the state, Mr. Shaner is the person to coordinate with Commerce

on the effective application of where certificates, grants, awards etc., exist and where the Tax Commission responsibility lies and where Commerce responsibility lies. It presents a great forward-facing customer service opportunity for these businesses while helping them stay. One of the most recent has been the semiconductor and the new fabrication bill.

Commissioner Woods asked what the forms committee is. Mr. Yost said every year, they have historically had a very good focus on individual income tax forms. When the income tax code changes, whether through conformity or system updates or something that creates an impact on our forms, even if there's no change, this committee makes sure all the dates are relevant and that our interests are correct. There is a form committee that existed previously to do this work. Upon review, there are more than just income tax forms. They've spent time this year tracking those down and making sure they understand how to view all the forms they need access to view, and to ensure that each group understands the scope of the forms they're supposed to review. They then reach out subject matter experts for the tax type affected. The Forms Review Committee reviews forms annually to ensure every form is touched and any updates, regardless of the source, are made. This is a Certified Public Manager (CPM) program project for Rachel Woodbury, Tax Audit Manager, who provided a foundational start of what the committee and the procedures would look like, and his team has continued to build the process. They've identified roles and responsibilities for the committee, and he's spent time with the leadership to help them understand how to conduct meetings more effectively and to make sure they're getting a holistic view and utilizing available resources appropriately. Commissioner Moyle said that as other agencies move more toward transparency, our forms become very important. Transparency comes through those forms and this group is important.

Chairman McCray said he appreciates the discussion about the rules process and asked if there will be standard operating procedures (SOPs) forthcoming. Mr. Yost said as they work through the drafts, he's sure there will be SOPs to validate those.

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 Woods seconded the motion; Maria Young, Management Assistant took a roll call vote: Commissioner Zwygart, Commissioner Woods, Commissioner Moyle, 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 30, 2024, at 9:00 a.m.

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

Maria Young, Secretary

Jeff McCray, Chairman