

## IDAHO STATE TAX COMMISSION

### COMMISSIONERS' BUSINESS MEETING MINUTES OF MEETING JANUARY 25, 2022

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, Debbie Coulson, Julie Eavenson, Evan Sailor, Kim Wind, Rick Mascall, George Brown, Rhamona Grabenstein, Phil Skinner, Tom Shaner, Rod Brevig, Jerott Rudd, Elena Gonzalez, Tasha Pacholke

#### **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.

Geraldine Cook, Revenue Process Clerk, Revenue Operations, 5 years; Doug Draney, Tax Auditor 2, Audit/Tax Discovery Bureau, 5 years; Lisa Kopke, Financial Executive Officer, Administration/Management Services, 5 years; Chris O'Kief, Tax Auditor 1, Audit/Tax Discovery Bureau, 5 years; Linda Yursis, Revenue Process Clerk, Revenue Operations, 5 years; Amy Cady, Human Resource Specialist, Human Resources, 10 years; Laura Turner, Tax Auditor 3, Coeur d'Alene Field Office, 15 years; Nichole Boehland, Tax Automated System Specialist, Quality Assurance and Research, 20 years; David Irwin, Operations and Support Technician, Information Technology, 30 years.

The Tax Season Temporary Employees earn credited state service in very small increments and have continued to return every year, so it is amazing to recognize Geraldine (Gerry) Cook and Linda Yursis for five years' service each.

Chairman McCray thanked everyone for these 100 combined years of service. He added a special thanks for the temporary employees that have returned year over year and have become a valued part of the Tax Commission.

#### **Business requiring a vote of the Commission**

##### Minutes: Regular Business Meeting – November 16, 2021

Commissioner Zwygart moved to approve the minutes of the Business Meeting held on November 16, 2021. Commissioner Katsilometes seconded the motion. There was no discussion; all commissioners voted aye, and the minutes of the Business Meeting held November 16, 2021, were approved.

##### Minutes: Idaho Economic Estimates Commission November 29, 2021

Commissioner Moyle moved to approve the minutes of the Idaho Economic Estimates Commission meetings held November 29, 2021. Commissioner Katsilometes seconded the motion. There was no discussion; all commissioners voted aye, and the minutes of the Idaho Economic Estimates Commission held November 29, 2021, were approved.

##### Minutes: Idaho Economic Estimates Commission December 2, 2021

Commissioner Katsilometes moved to approve the minutes of the Idaho Economic Estimates Commission meetings held December 2, 2021. Commissioner Moyle seconded the motion. There was no discussion; all commissioners voted aye, and the minutes of the Idaho Economic Estimates Commission held December 2, 2021, were approved.

## 2022 Forest Land Values

Rod Brevig presented the 2022 Forest Land Values. Forest land values must be presented by March 1 each year. Mr. Brevig has provided the Commissioners with a history of forestland values in Idaho, the proposed forestland values for 2022 and for 2023. These proposed values were provided to all stakeholders; comments were solicited with a deadline of January 21, 2022. No comments nor recommendations were received by the time of this meeting.

The overview indicates values have begun to decline. Values are indexed using a 5-year rolling average and are reported in Forest Value Zones 1, 2, and 3. Forest Value Zone 4 uses the values from Forest Value Zone 3 because that is the best data available. Forest product in Zone 4, southeast Idaho, is virtually gone due to the market and timber source. The Great Recession impacted forest manufacturing in Idaho, causing the smaller producers to be consolidated into larger producers and that is reflected in the numbers today. While these older, well-established companies realized a 2,000% profit in 2021, the forest landowners did not see the proportional increases in stumpage values. As a result, the forest land value changes are muted, and because they're using a 5-year rolling average, the period is actually 7 years. There is consequently a disconnect between where the values are and where current market is; however, using averages provides more stability and is reflected in the information provided to the Commission. He recommends the Commission adopt the values as presented.

George Brown, Property Tax Division Administrator, was recognized and asked Mr. Brevig about the future of federal lands and the impact on values. Mr. Brevig responded that there have been massive fires, and there are implications from global warming, so the Forest Service is changing their approach to forest management. There was a movement in the 1990s to stop all timber sales and the public took the license away from forest managers citing their competence to manage forest lands. That is changing because people are losing their homes, lands, and lives; the fires have been so incredibly damaging. The anticipation is that the Forest Service will be more active; they will sell trees, they will hire more foresters and there will be more active management that should increase supply to the market. If it's inexpensive enough, there will be more competitors come into the market. That is long-term; it takes time, and now there are huge amounts of money involved. There is always the risk that others have experienced when there was a political change, that the federal government reneged on the contracts they had with private industries. It looms large on the private sector and their willingness to invest. Chairman McCray asked if there has been any action on this, or if it's just in the discussion phase. Mr. Brevig responded that there is action. The Good Neighbor Authority (GNA) allows the Forest Service to enter into agreements with state forestry agencies for critical management work to keep forests healthy and productive. The GNA has basically hired the Department of Lands, in Idaho and other states, to bring their forestry resources over to implement forest management on their acres. That was a fast step and there are other programs added to that; there is action.

Commissioner Katsilometes motioned to approve the 2022 Forest Land Values. Commissioner Moyle seconded the motion. There was no discussion; all commissioners voted aye, and the 2022 Forest Land Values were accepted.

## **Administrative Reports**

### John Bernasconi, Chief Operating Officer

Mr. Bernasconi reported that the agency budget hearing is February 10, 2022. The legislature is back in session and the first bill through the House Revenue and Taxation Committee was a rebate bill and the Tax Commission will again administer that, if passed.

Mr. Bernasconi welcomed Julie Eavenson as the new Public Information Director, and she will provide the Taxpayer Resource Unit updates today.

The 2022 tax filing season has begun. Rick Mascal, Revenue Operations Division Administrator, will provide those updates, but Mr. Bernasconi shared that there was a limited number of people that filed early this year.

The semi-annual Employee Meeting is scheduled for March 16. It will be in-person and virtual and all Division Administrators and Commissioners have agreed to travel to one of the Field Offices. This is a new way of doing things and will allow leaders to spend time with our staff and make sure they know how much we appreciate them.

Mr. Bernasconi discussed the Tax Commission Strategy, commenting that the Critical Success Factors, those things that must go right, are on track. The first, to retain, develop, and recruit great people is measured by the annual and pulse engagement surveys, and by the numbers of attendees in Leadership Training. Aligning our budget with strategy involves maximizing the use of personnel dollars to meet the needs of the agency. As everyone is currently experiencing, it is difficult to find employees. The Division of Human Resources (DHR) has guidelines on how the salary savings can be used: bonuses can only be given to 20% of the agency.

Another critical success factor is improving customer interactions. Customers should be able to find what they need, experience a professional customer service interaction, and be able to understand anything provided in writing. The reporting system for call times and call drop rates has been out of service since November. There is no estimate on when it will be working, so staff, primarily Audit and Collection, have begun taking calls during the peak call times to help alleviate the wait and it seems to be having an impact with callers.

The Implementation of Operational Excellence is a new critical success factor this year. It is a means by which the agency continually improves. All processes will be documented, metrics established, and gaps will be identified. Mr. Mascall has introduced operational excellence to the Tax Commission, as he's had experience in other organizations.

The final critical success factor is to improve internal and external communications. While this has been an important goal over the last two years, the strategic process identified that a plan must be developed; George Brown is leading the development. The strategy team meets once per month and the operations leadership team discusses roadblocks and successes every week.

Chairman McCray said he's excited that employee meetings will be in the Field Offices. He added his support of Collection and Audit for helping the TPS call center. Successful organizations can recognize an issue and come together to solve that issue. The people in this room recognized a problem and offered up solutions without worrying about boundaries or responsibilities by division. It sends a great message to the community and to those that call into the Tax Commission. Thank you to those that have volunteered to answer the phones.

Debbie Coulson, Interim Appeals Manager

Ms. Coulson reported that there is an Appeals Resolution Meeting tomorrow at 1:30 p.m. The next will be February 16, 2022, also at 1:30 p.m.

Appeals continues to work on their projects. They are adding Appeals Case Stages to be more efficient and follow Operational Excellence to alleviate bottlenecks with Appeals cases. She has a work request ticket (SQR) submitted and they're moving toward using GenTax the way it's meant to be used, because it's a fantastic tool.

There are currently 322 open appeals cases, 445 closed appeals cases, with 20 of those appealed to the Board of Tax Appeals (BTA). The average age of the appeals cases is 333 days.

There's been a recent retirement in Appeals, so Ms. Coulson is actively recruiting to fill an Income Tax Appeals Specialist position. She also welcomed Sean Kerr, the newest Appeals Specialist over product taxes and they are happy he's on board.

Ms. Coulson noted that in 2021, Audit conducted 18,447 audits. Of those, only 271 were protested. That is less than 1.5% which means Audit is doing an excellent job. Kudos to Audit and kudos to her team. Everyone is working very hard to shorten the time it takes to get an appeals case resolved. Commissioner Katsilometes asked what that percentage of change is over the last five years. Ms. Coulson responded that she doesn't have those numbers; however, she and Ms. Wind will get them for the Commission.

Commissioner Zwuygart said he's impressed with the Appeals unit and the hard work they do. Ms. Coulson appreciates that and will share with her team.

Evan Sailor, Collection Division Administrator

Mr. Sailor reported that the Collection Division Business Analyst, Beth Gasseling, currently has 20 open SQRs. Many of those are short-term actions, including letters that need to be edited, and there were a couple of higher priorities, but she's been able to keep those back on track.

The Electronic Levy (E-Levy) process is moving forward. They've signed a contract with Chase Bank and met with them on January 19 to discuss software and how they'll exchange the electronic data. He's anticipating Bank of America and US Bank coming onboard soon and then Wells Fargo. This will help Collection Division be more efficient with levies. They also have a Responsible Party Due Process automation project in the testing phase that should be live soon, which will also aid efficiency by moving a manual process to an automated one.

Since the last Business Meeting, the lien auto-renewals with the Secretary of State has been completed. Tax Commission liens must be renewed every five years; now, once they are within 60 days of expiring, the system will automatically identify and send the renewal to the Secretary of State overnight. The FAST Service Pack updates were also completed and went live on December 6, 2021.

It's been difficult to get accurate statistics due to the impact of the pandemic, but as of January 24, 2022, for FY 2022 Collection has created 54,919 cases. They've also closed 80,952 cases, which has allowed them to reduce some of the backlog. Currently, there are 51,151 cases open and those are divided amongst the Compliance Officer 1's, 2's, and 3's. In April, Collection Division restructured and eliminated the Phone Power Unit. This change resulted in increased numbers of cases assigned to the Compliance Officer 1's, but they wanted to be able to attach a name to each file, so if a taxpayer needed to contact someone, they could contact the staff working the case. The unintended consequence was that each Compliance Officer was holding approximately 1,000 cases each. The numbers are coming down though, and as of this morning, some are down to about 750 - 800, which is a bit more manageable. They have been making recoveries, too, and as of January 21, they've recovered \$146 million. The three biggest recoveries are individual income tax, withholding, and sales and use tax. As of yesterday, individual income tax recoveries were \$52,893,000, sales and use tax were \$52,886,000, and withholding was \$33,231,000. These amounts are approximately double what they were at this time last year; for all last year, they collected \$181 million. They're on track to recover \$250 - \$260 million this year, which shows the growth in Idaho.

Training Specialist Lynn Howard, Compliance Officer 3 Shelley Johnson and Collection Officer 3 Audrey Smith have created a new hire, 3-tiered training system. It requires all new Compliance Officer 1's to complete each level of training in succession as they demonstrate their competency. The first three are live and they are receiving positive feedback. Ms. Howard is in Boise delivering training this week, and the field offices are participating virtually. Mr. Sailor has observed the training and it is very informative. Ms. Howard has also developed an annual training calendar and they've implemented mandatory in-service training this year for all Collection employees. It is scheduled for the last Thursday of every month for everyone. There will also be a training library broken down by topic and available on Share Point for everyone to use.

Other accomplishments include continued cross-training. There are some specialized people who had no back-up, so he's assigned staff to those individuals, and they've developed or updated all the standard operating

procedures (SOP). The Field Offices have experienced staffing shortages throughout the pandemic, and now have SOPs in place so anyone in the office can run the front desk while still providing the same level of customer support to the public.

This is the second month Collection staff have been helping Taxpayer Services (TPS) with the call volumes. Staff were nervous because of their current caseloads, but he's received more positive comments than negative. Many staff have enjoyed the work saying it has been an educational experience. Audit is helping, too. They've been working in 2-hour chunks to help alleviate the backlog.

There are currently eight Collection Officer 1 positions open and in active recruitment. They extended five conditional offers last week: however, two of those accepted positions elsewhere for better compensation. They will be conducting interviews next week and hope to fill the remaining positions.

Commissioner Katsilometes asked how Mr. Sailor can get applicants when many others cannot. Mr. Sailor responded that they have more applicants recently because the minimum qualifications were lowered from 18 months' collection experience to 6 months and, most recently, after discussions with the Division of Human Resources, they've reduced it again which increased the applicant pool. They need people with good social and customer service skills because they can teach collection. In the short term, it has been more successful.

Chairman McCray recognized the training Mr. Sailor and his team are doing, as well as the SOP project. It is admirable and fundamental and will provide huge dividend going forward. He also appreciates the Field Offices that are small teams learning to manage their offices with few staff. The SOPs are critical to sharing the knowledge and allowing others to step in and help when needed. Additionally, the Governor has added FAST Collection Services as a line item into the Tax Commission budget, so they will be making their case to hopefully help the Collection group and get them the tools to do their jobs more efficiently. The FAST Collection Services will allow taxpayers to self-heal, or self-cure, when there is an open collection case. It will encourage voluntary compliance and let people discover a path for their own problem while taking the burden off us.

#### George Brown, Property Tax Division Administrator

Mr. Brown reported that the last two years have been very busy. Everyone can say they once had a "quiet season," but that is no longer the case. Property Tax has begun the project to fully integrate property tax reduction (PTR) into GenTax. He has deemed this year as the "year of automation" for Property Tax and this is probably the keynote. Over the next two years, they anticipate getting all the information currently in Access databases and on paper forms into GenTax for storage and easier recall. The second phase of the project is a Taxpayer Access Portal (TAP) website to allow people to apply from home. The information will go directly into the system. Taxpayers can still go into county offices to get help applying, through the same website, but either way, the application will be filled in completely (Currently, many applications are received mostly blank). The programmers believe these can be completed quickly; however, one obstacle with the TAP phase is that it is county-facing. There will be extensive training and testing involved for the counties and they may not be able to complete it before the next application season, which is January 1 through April 15. The second part could be finished for 2023, but likely will be 2024. They are very excited because this is one of the things he really wanted to accomplish when he accepted this position. He thanked Mr. Bernasconi, Mr. Mascall, and everyone else who help get this process started.

The Property Tax Geographic Information System (GIS) (mapping) Department has completed 322 local government annexations. That number is higher than usual, but not unprecedented. The annexations have been more difficult than in years past because of continued lack of expertise in the counties. It isn't just counties, but local governments, too. There are many new people in all the local governments, so they've been more reliant on the Tax Commission. The supervisor of the GIS department, Jeff Servatius, retired, and Kevin Jones, who has worked in that department for many years, was promoted to the supervisor role. It has been a seamless transition and Mr. Brown thanked Mr. Jones for that.

The legislative season for Property Tax begins about mid-November, so they've had several requests and bills reviews recently. Due to some of last year's legislation, the Technical Support Bureau had to make some significant changes. There are currently five vacancies in the Technical Support Bureau, which is odd for Property Tax. Traditionally, Property Tax has low turnover, but in the IT section, there were a couple of retirements, but there has been incredible pressure from outside the Tax Commission and there are multiple jobs available in the private sector for significantly more money. They've had a difficult time recruiting young people because they can make more elsewhere, with less experience. They are working through it, but it has slowed things down. They've been providing more basic technical support instead of working on their projects for improvements and conversions of counties to the new systems. Recently, N. Harris Computer Corporation ("Harris") Public Sector Group purchased CAI who has provided approximately 10 counties with assessors', clerks', and treasurers' hardware and programming. The Technical Support Bureau is trying to determine the ramifications of that because one of the counties uses a Harris product through the Tax Commission. They don't know how that relationship will change and they don't know what will happen in those counties. While Harris bought CAI, and incorporated all the CAI employees, the CAI systems are competitors of the Harris systems. It could cause some counties to request an earlier conversion to our system because it's free, but right now, they will have to wait because there isn't enough manpower to convert anyone.

The Western States Association of Tax Administrators (WSATA) Appraisal School will be held in Logan, UT January 29 through February 4, 2022. It is exciting that some Commissioners will be attending this year to gain some understanding of how to appraise operating property. Additionally, two senior appraisers will be completing their certifications at the end of this training, as well as being ad velorem property appraisers.

Winter school was held January 10 through 14 and there were 244 students registered for 22 courses. That is lower than normal, but school costs more this time. They are running out of spending authority in that program because everything costs more and because they've provided more regional courses. There were regional courses in November and December, including a basic mapping course, annual property tax reduction (PTR) training, which involves PTR staff visiting counties to teach them how to do their part of the process. There was an Urban Renewal Workshop and several 5-year plan workshops. Counties must tell the Tax Commission how they will appraise everything within five years and it's how the Tax Commission ensures every property is visited every five years. Matt Virgil, the Consulting Appraiser Section Manager and Mr. Brown visited several locations to train people how to develop their plans, basically ensuring they have sufficient dedicated personnel and assets to complete them. Those plans are due by February 7.

Over the next couple of months, Mr. Brown and Mr. Virgil will return to the counties and provide Board of Equalization training. That is important because the county-elected officials have experienced massive turnover, so staff don't know what the Board of Equalization involves. They need the background to be able to conduct the county Boards of Equalization, and there has been unprecedented value growth this year, which creates a situation where the Tax Commission must conduct a ratio study to test where assessed values are in relation to the actual values based on sales. The Tax Commission conducts two studies. The first test involves the Tax Commission and the counties working together to ensure values are up. The first test this year has unprecedented, and by far the highest ever number of counties out of compliance. Because the growth rate is moving so fast, they can't keep their appraisals up to date. Literally, every day they open the book and it's up another few percent; they just haven't been able to keep up. The other interesting thing is that Commercial studies over the same time remain relatively flat. There has been a huge shift in property taxes – as everyone has heard in the news –which has caused grief for many property owners, and it has caused the legislature to look at it more closely.

He's mentioned the five vacant positions in the IT area: two of those are supervisor positions. Lori Millonzi has moved from Operating Property to TPS; that is good for TPS and good for Ms. Millonzi. Her position as a Technical Records Specialist in Operating Property is now vacant, and there is a Consulting Appraiser position that has been open for three years because it's hard to fill.

Chairman McCray said he's excited about the GenTax project and asked whether the counties are interested in the proposal or going to feel this is additional work. Mr. Brown responded that this was brought up with the counties before they ever began planning. He believes the counties are very excited to have an electronic application process; they'll still be involved, because the people that can't complete the application at home will still go into the county office. Right now, everyone must go into the county office to apply. This eliminates some of that. Counties will have fewer people in the offices, and he believes they are excited about anything that makes PTR easier. It will also change our interface with the counties because we still must send information back and forth. The Tax Commission needs specific property information from the county, and the county needs to know how much we will cover. All that right now goes back and forth several times, so the interface will likely cause concern for the technical people in the county; not that it's something they don't want to do, but that it will be initially more work, though it will be less work in the long run. We're taking 44 counties and 30,000 applicants and putting them in one place. Before they never had a "place." Their "place" was in boxes on the PTR manager's desk in some cases. The interface affects all 44 counties; that is difficult and is partly why this project was never attempted before. It was an institutional fear of what would happen. Mr. Brown added that the statistical information currently takes someone three days to compile manually. Once integrated into GenTax, they should be able to just run reports because it will all be in the same place. If this works well, then he has more projects for GenTax.

Commissioner Katsilometes asked how much time this will free up for Ms. Waters and her staff. Mr. Brown said part of the work will be completely automated and just go away. Other time will be freed because the PTR team will be able to do other more complex things, like the Audit Program. That right now they've just not had time to do because there are 30,000 applications to process. He has a stable crew in PTR right now, and that is exciting; Commissioner Katsilometes asked when it will start? Mr. Brown responded that if everything goes perfectly, they'll have everything incorporated and completed in time for January 1, 2023. Realistically, the GenTax portion is projected to be finished this year and he believes the programming in TAP could be completed this year, depending on the amount of county support received. County people will need to help design the interface. If it isn't completely done and somehow tested before January 1, they can't incorporate it though, because January 1 begins filing season. They would then have to wait until the 2024 season. It depends on resources and how well it goes together.

Rick Mascall, Revenue Operations Administrator

Mr. Mascall introduced Tasha Pacholke, the new Program Supervisor over the Electronic Data Management Team, and the Tax Automated Specialist team. She began at the Tax Commission on January 10, and they are excited to have her. He thanked Steve Thimsen and Shannon Carter who've been helping him onboard Ms. Pacholke. Mr. Mascall further noted he appreciates the help of Human Resources (HR), Human Resource Officer (HRO) Rhamona Grabenstein and HR Specialist Maggie Roberts for advertising and helping to hire this year's Seasonal staff. They've been able to recruit 50 seasonal applicants; 28 of those are returning members so instead of training them all, they can just start processing returns. He was very excited to see them. Seasonal staff will start in phases: the first group of eight started on the January 10<sup>th</sup>, another 30 on January 24<sup>th</sup> with yet another 12 on February 7. This staggered hiring is designed to coincide with when returns are received and as things are put into the system.

Last week, they hired three Technical Records Specialist (TRS) 1's; there were six vacancies. There are two TRS 3 positions, two TRS 2 positions, and one TRS 1 position. He is encouraged because there are more people on the hiring lists now than in the recent past.

There were large volumes in 2021 for tax year 2020. What is most encouraging is that the electronic percentage continues to go up, which is the goal; to move things from a manual process to an automated process, as much as possible. The electronically-file individual income tax (IIT) returns increased by almost 2% and the business income tax (BIT) increased by approximately 1%. There were over 1 million total returns and refunds followed the same trend. They saw additional refunds this year and the rebate numbers were estimated at about \$195 million as of January 16.

Mr. Mascall is proud to report that the configuration of GenTax was completed by the end of the calendar year, and they ran their first returns the first week of January 2022; the Internal Revenue Service (IRS) began accepting business income tax returns on January 11<sup>th</sup> and we were prepared. The “soft launch” of the individual income tax (when the IRS began accepting IIT returns) was on January 18<sup>th</sup> and yesterday (January 24), they went live. Revenue Operations did not see the volumes they normally see on opening day but are ready when it happens.

The other part of configuration is authorizing the software vendors. Most are now authorized for IIT, there are only a few remaining, and BIT is about half finished. He is very proud of that team. They are working short-staffed, and they’ve volunteered for overtime to ensure we were ready for the IIT filing. They’ve done a really good job. The other processing activities are also moving along well.

Deanna Messinger, of Revenue Operations and Keven Griffith, of Audit, collaborated to streamline some processes because there was a duplication of effort. The result is that now, only one person is contacting a taxpayer.

There are many service providers in the withholding group who provide payroll services to multiple companies. There are some CPA firms, but it’s primarily large pay processing companies. There are a significant number of paper returns submitted by those companies which causes considerably more effort for our employees. Mr. Mascall began working with ADP (one of the larger firms) and they will begin the transition to electronic returns, where possible, particularly for their year-end reconciliation.

Mr. Mascall said he had hoped to report that Beer and Wine had been added to the TAP in January, but it isn’t ready yet. They’ve had a minor set-back, but that is good because they now have an opportunity to get information from February for testing and to make some changes. It will be ready in February so people that have beer and wine tax returns to file will be able to do so electronically. He believes that will be very good for these taxpayers. Additionally, they’ve just begun the fuel distributor report, the Ida Fuels Conversion, which will move from an Access database to TAP. He appreciates that as another step toward automation for the fuel distributors.

Tax Commission Information Technology (IT) department also had hiring to report: they’ve hired two new Software Engineers that will start on February 7. This is big because while they were configuring for tax year 2021, they lost two of the developers from that project, so kudos to the IT team for continuing short-handed and he is glad they’ve hired these two engineers so they can get up to speed before the next configuration begins.

The Tax Commission is moving to FAST-hosting and are having some difficulty getting the technology in place for the connection to Denver. It is now scheduled for January 28<sup>th</sup>. The FAST team is working with our teams to test the configuration for the hosting services, which should be completed in February.

Chairman McCray asked about the nature of the set-back mentioned earlier regarding adding beer and wine into TAP. Mr. Mascall replied that when they tested it, the way it was calculating the tax didn’t work right, because of the way the distributions were split up between strong beer and wine.

#### Kim Wind, Audit Division Administrator

Ms. Wind noted Audit Division has 72 open SQRs, which is high. Work orders aren’t getting closed because of projects but the projects must continue. She has seven high priority SQRs. Generally, she doesn’t want fraud letters to be a high priority, but they are. Discoveries identify which years audit is working individual income tax is in the 2018 tax year and will be moving into 2019 soon; Nonfiler is in 2016 and they continue to move that forward. The Examination Operational Automation Database (EOAD) is a federal system that tracks results as part of IRS audit activities. The EOAD/Single Year Nonfiler due date was 12/31/2021 and they missed that due to resources; they are about 8 weeks behind.



For Fraud Statistics, the recovery rebate might be happening again because there is still a 3<sup>rd</sup> payment people can include on their returns; the 1099-Rs and the W-2s remain active; W-2s will always be a part of fraud. In 2021, there were about 973,000 returns received and 22,426 people received fraud letters for identity theft. That is about 2.3% of the population that received letters to verify their identity. Audit receives many comments on those, but it is a small percentage of taxpayers that receives letters, and there are several hoops to go through. It is an ongoing challenge, and they are always looking for ways to improve customer service while making sure you are who you say you are. With that, as of December 31, 2021, Fraud had 72 returns totaling \$2.3 million. Last year, there were 94 returns, but only 359,000 refunds saved. There was one for \$49 million, but it was removed because it was skewing the total. There are fewer returns this year, but a higher dollar amount saved. She likes that they report lost returns now; there was one return lost for \$100. Frauds are harder to get back. In identity theft, there were 285 returns at the end of this year, compared to 290 last year, for \$1 million this year and \$1.5 million last year. There were 13 returns lost for \$4,200 but they recovered \$2,100 this year; whereas last year, there was \$6,700 lost and they only recovered \$4.00. The reason they lose more is that those returns really look like another person. The system and auditors have a more difficult time because these individuals have the person's information; it's harder with identity theft.

If Audit sends a letter and there is no response, they won't process the return and those are called an "offset." This year, there is \$2.4 million that have refunds saved. Last year, there was \$1.2 million and with that, there were 6,825 returns; 1,222 returns came back as identified and there's a year delay when they finally identify themselves. Of the \$1.2 million last year, this year they distributed \$326,000 back. It's a continuous back-and-forth, but it's still a large amount of money they offset. They don't necessarily call it fraud, it's an offset.

Criminal cases are still slow. The Canyon County embezzlement case was dismissed. The taxpayer entered a plea bargain, and our part of the case was dismissed. There are two new cases: one in Bannock County for false W-2s and one in Elmore County for Embezzlement. They have a great new group in Fraud and hope to see more cases go this way.

In Income Tax Audit (ITA), the Annual International Student Workshop is being scheduled and will be a hybrid – in-person and online. The universities have requested this in the past. Audit questioned whether they needed to continue with the workshop, but TPS receives multiple calls from those struggling with the process and right now they find it beneficial and they are streamlining the workshop. ITA has therefore scheduled it again.

Sales and Fuels Tax Audit Bureau has successfully reorganized, and Ms. Wind thanked Ms. Grabenstein. They have a Contract Desk Program and the Cross-checking Program; both have an outward facing focus ensuring the stakeholders involved in the construction and fuels industries are monitored for compliance and are provided the necessary education. That took some time and a great deal of work, and she thanked HR for helping ensure employees have a better career path and for helping to make sure training gets to the taxpayers.

The FAST Identity Verification System (FIVS) was a project by FAST and is a part of the Fraud Enhancements. It went into production on January 7, 2022 for the new filing season and will hopefully enhance the Identity Theft portion of fraud because it will help to identify addresses and things that change. It's changing with us to help identify these people and their information.

For the Fiscal Year Statistics, July 1, 2021 through December 31, 2021, Audit has closed 9,691 audits and recovered \$25.3 million. Last year, during the same time, they had closed 7,615 audits with \$27.8 million in recoveries. They conducted more audits with less recovered, but it is an ebb and flow. In years past, when the market wasn't doing well, they received many requests for sales tax refunds. Those are very complex because they are reduced refunds, in an audit sense. There was a backlog, but they've reallocated resources and they did a great job in 2020; \$3 million was issued in reduced refunds.

They are closing audits faster now. In 2020, it took 18.32 hours to complete an audit and this year, it's 14.69 hours to close an audit. Part of that is due to pulling a new staging report. The staging reports are a way to see where the backlogs are and why. There will be some cleanup, but they are looking at the ways they can speed up the process. If the taxpayer doesn't respond, the case must still be moved along. Managers are meeting with staff monthly to review the reports.

Ms. Wind reported that there are several newly hired staff. Abby Reece has been hired in the Pocatello Field Office, Chris Mader moved from TDB to ITA, Kimberly Abernathy finished her degree and promoted to Tax Auditor 1, Carrie Lawrence promoted to Tax Auditor 2 with the new program, and they have a new Program Specialist, Lola Lynch and a Program Specialist Technician, Peggy Wright. For Fuels, Program Specialist Tamara Wright, Terry Thorpe as a Program Specialist Technician and Sandra Pfister as a Program Specialist Technician. April Johnson moved from TDB to Fuels. They still have 14 open full-time positions. That is the largest number of vacancies Ms. Wind can remember. They are not seeing the numbers of applicants that others have reported. Their positions are difficult, so the qualified candidate is a challenge. They've reposted multiple times because they don't want to hire just to hire; they want qualified people to fill those positions. Human Resources has been very busy with Audit, and she appreciates all their help.

Commissioner Katsilometes asked about the requirement to have a degree and whether it is necessary, saying it's nice to have, but is there something that can be eliminated to increase the applicant pool. Ms. Wind replied that it isn't just the degree. She said they receive many applications because it's entry level pay, so they get entry-level degreed applicants. The other qualification is years of experience in accounting. By the time someone has the requisite number of years in accounting, they don't want to apply for an entry-level position. It is something they've discussed. They aren't finished talking about ways to increase the applicant pool, though.

Ms. Wind said she loves that Audit was able to help the Taxpayer Resource Unit and commented about how much she appreciates Gordon Myers, Taxpayer Services Manager. He has delivered training and provided documents for Audit and Collection staff to be able to start helping and he continues to answer questions. She truly appreciates him for all he has had to do to help them be able to help him.

Commissioner Zwycart commented that they are doing a great job. Chairman McCray asked about the taxpayer identity letters that go out. In the TAP Survey responses, it's one of the reoccurring themes, that there is frustration. He appreciates the customer's position, that they want their refund, but he understands we must go through this process to identify who they are. We should just be aware of that in our communications on our website and in press releases: we're doing this to protect them, not just to make life difficult. Sadly, there is a great deal of identity fraud that goes on.

Chairman McCray said he appreciates the work being done with the income tax audit workshops for international students. That is a good customer-facing activity and, even though the population is small, it goes toward the good will of our agency. It takes time and resources but pays good dividend. It's something about which the agency can be proud. He also likes the staging reports. That is exactly what we're trying to accomplish with Operational Excellence in having those key metrics and having a process to do our work so we can continuously improve.

#### Julie Eavenson, Public Information Director

Ms. Eavenson said this is her first time in this meeting. She's the new Public Information Director and she's still learning. This is a complex agency with many moving parts and places where she sees opportunities for her staff and their skills to help. She appreciates the things she is learning and how we can look at overall messaging. She's reported some short-term action items that are part of the overall Strategy, but she believes they are important for the public information area: it's the Communication Plan. One of the most important things about having public information people is that the subject-matter experts can still control the content and direction, then it's up to her and her staff to help shape that into something to help this agency communicate both internally and externally. While Mr. Brown has joked about "dumping" this onto her, what is happening is that

she's using her expertise and knowledge to take his direction to put together a plan outline by February 11. She is conducting interviews with staff about important communication issues, so she understands how things work. She and Mr. Brown are working together so that by March 23, the first draft will be available for review. That is on-track. The same is true for the engagement survey results. The team is analyzing what they've heard from people. They are looking at how we communicate with employees, so they know they've been heard and that we're acting on those things.

The website is moving along. Ms. Eavenson noted she's arrived in the middle of the process. Apparently, there were discussions with Access Idaho, and everything was being worked on, then they stopped having their weekly meetings. Those will start again in February, and they will look at some new things. One thing just came up this week, with JFAC requiring a Power Point presentation again, the staff in TRU had been working on a new design for the Power Point template. There was one from 10 years ago that looks dated. Pat Surline and Celeste Schmidt were ready and will have a draft ready for review on February 4. In the meantime, they are testing some things Chairman McCray has requested. They will have the Vision and Values on the template to put a customer facing focus on everything, including Power Point.

Many have spoken today about TPS and the calls. Anecdotally, last week she took some calls from people that were frustrated. No one said they would have waited 40 minutes before they started calling around until they got someone to answer the phone. She knows the wait has been as much as 3 hours. There were three people who called saying there was a 30- or 40-minute wait and they didn't want to wait. Nothing indicated there was a serious problem. She's only had one call forwarded from the Governor's office. No one wants to wait, and she thinks the assistance of Audit and Collection and the work Mr. Myers has done to train people has all worked to minimize the wait when someone contacts TPS.

Ms. Eavenson didn't know that social media contacts hadn't been reported before in this meeting. She believes it's important, with such a focus in our culture on social media, that everyone understands what it is we're seeing. We're not popular. She does think it's important to see the numbers and that we're reaching out to the communities within those different types of social media; we can find value there. She believes it's important to report it, and she will bring some of the content to the next meeting. There are ways to gauge the types of clicks and responses we receive, and we can filter through it to see what is most successful. As they analyze that, they'll be able to see what is working. There will be different metrics depending on the type of information being shared, but she will share it here, and hopefully it will help to inform us on the customer-facing things we may not have previously reviewed. We're on social media because everyone is, but what is it really accomplishing for the Tax Commission.

Commissioner Katsilometes asked if Ms. Eavenson will include the generational responses because people his age rarely use social media and they're the ones that pay a lot of the taxes, so he's curious. Ms. Eavenson said they can look at the types of individuals signing up. There are people from organizations signing up, because the emails include "CPA" or an obvious professional email, but she doesn't believe there is a way to sort generational information. They can look at demographics for the different types of social media, so she can look at that and see what she might be able to find.

The annual report for 2021 has been published on the Agency's website. Last week they delivered digital notification to the legislature and the Governor's office. This year, they gave the legislature the opportunity to reserve a hard copy. In the past, a few were printed but only some prefer a hard copy. She didn't want to print unused copies, however, they wanted to make some available to those in the legislature that want them.

Ms. Eavenson recognized Tom Shaner and Cynthia Adrian for all the ways they have responded to our customers, especially being able to use virtual training, which Ms. Adrian has been doing. Normally, they would travel, but this last spring, they were unable to, so managed sessions virtually in Northern Idaho, Eastern Idaho, and Southwest Idaho. They hosted a workshop in November on the State and Local workaround (SALT).

She also has a couple of vacancies to fill. She came from an agency that is so opposite from this agency, in terms of taking care of employees. The Tax Commission is trying to find the right fit for employees within the Tax Commission family and there are jokes about stealing from other divisions, but there is an incisive process going on here to help employees find that place where they're happy. She had a conversation with Ms. Millonzi about why she wanted to move from Property Tax to Taxpayer Services. She said she really loved helping customers and wants to help customers all day. Here we have an opportunity where someone worked with one set of customers, and now she can be on the phone all day helping a variety of customers. That is a unique thing in state government: where there is active work happening to break down silos and active work to build people up and she feels privileged to be here.

Chairman McCray thanked her for her opening message about her vision of how the TRU division should work.

Lisa Kopke, Financial Executive Officer, Management Services

Ms. Kopke said the work here at the Tax Commission is complex. She related her first encounter with Commissioner Werk: he had come to her desk to welcome her to the agency, and she commented about how friendly he was, and that a co-worker had told her that they "don't talk to Commissioners." She was confused, then, because he came to her work area. She said the Tax Commission is very much like working with a family and people from the top to the bottom are super friendly; there are multiple subject-matter experts, everyone is willing to help. That is what has kept her going over the five years she has been with the Tax Commission.

Management Services is working on some big projects. She recently visited some field offices in Eastern Idaho and found a lack of essentials, like chairs. They've been working hard to provision the Chinden Campus, but the field offices seem to have been forgotten. She has a plan to provide them the same amenities that are necessary and normal and that will help them be more comfortable.

They're working on the taxes receivable reporting and she's happy to report that Justine Weaver has joined their team and will help build out some reporting tools in GenTax to help with closing packages. They are in the middle of situation integration testing, phase 3 (SIT-3) for LUMA. It's been successful; they've been able to follow the scripts through the step-by-step process. They have some new people on board: Toni Nash, from Audit, has been working with Management Services completing requisitions and processing travel.

House Bill 380, the Rebate Program, is 86% expended. Through December 31, 2021, they'd processed 680,000 rebates for about \$190 million. They fully anticipate rebate #2 to pass and if it does, they are ready. House Bill 362, which changes the distribution process for sales tax distribution to transportation is on-target. Their cap is now \$80 million; we're distributing about \$9 million per month, so starting in April, they should be able to switch and start sending distributions directly to the local highway district.

We continue to see record-breaking revenues. December's net receipts and accruals to the general fund was \$544 million, which is up about 60% over the same time last year. We attribute about 25% of that to estimated corporate taxes. That came in December. Fiscal year-to-date receipts and accruals to the general fund was \$2.4 billion. Through December, accruals are up about 20%. Some of the biggest contributing tax types are individual income tax (IIT), business income tax (BIT) and Sales Tax.

As mentioned earlier, there are multiple vacancies which contribute to significant salary savings. Each pay period, we see about \$64,000 which we don't really want. We really want to give that back to our employees. Year to date, we've spent about 48% of the Personnel Budget. We've spent about 44% of our operating budget. We still have some large expenses including rent, the other half of GenTax, and we will spend \$500,000 to \$600,000 on postage and communications.

The Fiscal Year 2023 Budget Hearing will be February 10. She thanked her staff, Purchasing and Accounting, for hanging on and staying; the last couple of years has been very difficult. She also thanked Ms.

Wind, in Audit. She does a great job training people and now Accounting is fully staffed. Jenna came to Accounting from TDB and Noe Benavides came from Fraud. They still have another opening in Purchasing.

Commissioner Katsilometes asked about the distributions to Transportation and whether the \$9 million per month is the part that goes to the counties and is then distributed to the cities. Ms. Kopke said no, this is the portion that goes straight to ITD.

Rhamona Grabenstein, Human Resource Officer

Ms. Grabenstein reported that recruitment continues to keep HR busy. As of December 30, 2021, there are 34 positions in some stage of recruitment and nine PCNs that are being held vacant while they decide if they need to be repurposed before recruiting for the positions.

She's begun a "Hire to Retire" series and is very impressed with our supervisors that have attended the first three sessions. They've been working on how to ensure materials are posted, operating in NeoGov (government job listing website), and selecting the right candidates. Part of the training was to encourage supervisors to be more actively involved in how openings are advertised: what are we putting in our job postings to attract the people you want to see on your hiring lists. She is getting great feedback and participation from the leaders. She thanked all her colleagues for making sure their supervisors are attending. They're making a difference.

The second highest priority that keeps HR staff busy right now is COVID. Unfortunately, they are still seeing many COVID calls. Since July 1, 2021, up to January 19, 2022, there were 52 employees that had tested positive; they may have had close contact with someone else, so HR staff had to do tracing and get those individuals into quarantine. That's not mentioning the people who end up coming to the office to say they were notified they had been in close contact with someone outside the Tax Commission. Then if they get sick, HR must look at who else needs to quarantine. All total, there were about 190 lines on her spreadsheet, and she didn't include the eight or nine she spoke to last night. It is a busy time. Amy Cady is the primary person managing calls from these staff members, and she is doing an amazing job, as are all the people in this room, because when HR calls and says they need an employee's laptop to put that individual into telecommuting status, it is short notice. Everyone is doing an incredible amount of work completed, as heard today, with staff that are often not available. She respects that because her newest Human Resource Specialist, Senior George Menendez, has also been telecommuting. Hopefully he will be back in the office soon and able to help.

The HR Modernization effort continues. The DHR website has a special site page under HR Professionals. They made some videos to help people understand how they are handling HR Modernization. Not only the why, but what it will look at the agency level in their vision. They've already met with and told HR staff that the structure is a draft. They are open to feedback and ideas, and they will take that into consideration as they build out the structure. She has seen both videos and they are well done.

LUMA Phase 2 includes moving to a new human resource interface system (HRIS) for the state called INFOR. Maggie Martinez (who has now officially changed her name to Maggie Roberts) has been representing the Tax Commission with LUMA to build out business process reviews. They built what we said we needed the system to do and now they're showcasing it. Ms. Roberts is now attending SPRINT sessions to make sure what we asked for will work in production. From there they will make any adjustments needed and then people will begin inputting data and get people prepared to test. It appears they are on schedule and will be able to go live in January 2023. Kudos to the LUMA team for continuing to press forward.

As reported by Mr. Mascal earlier, 30 tax season temps started yesterday, January 24<sup>th</sup>. It was fun to do two new-hire orientations. Due to Ms. Roberts' commitment to LUMA and with Mr. Menendez out, Ms. Grabenstein has been providing more presentations, and had the honor to meet them all yesterday. She thanked the Commissioners who were available to stop in and say hello. Presentations are also one of the main things she is doing with the Critical Success Factor of "Retain, Develop, and Recruit Great People" and the "Hire to Retire"

sessions that have been wonderfully attended. They are on schedule and are also launching our internally developed (by our team of Tax Leadership supervisors who attended the original series) Leadership Series tomorrow. Kim Wind and Ms. Grabenstein are now certified to deliver the Emotional Intelligence assessment and to review the results of the assessment with those who take it. The next step is for them to build the classes and materials necessary to augment the assessment portion.

Kayla Curtiss, of Audit, has volunteered to be the chairperson for the Employee Events Steering Committee and Lisa Kopke is the Operations Leadership Team (OLT) sponsor for that committee. She thanked them both and said we are looking forward to great events in 2022.

The Safety and Security Steering Committee is scheduled to meet on January 27<sup>th</sup>. Karl Patton has agreed to co-chair the Emergency Evacuation Plan Committee with Alan Pack. Mr. Pack has been looking for someone to train so he can step away and they are grateful for Mr. Patton volunteering. They are again seeking someone to chair the Safety and Accident Review subcommittee. Shelli Boggie established the committee, and when she retired, it was a very robust committee with members from Field Offices and here in Boise. They really want to ensure it continues. It keeps safety top of mind for everyone. With the weather what it is and has been, it is a great reminder to walk like a penguin when you're out there.

Mr. Bernasconi was recognized for comment. He recognized Ms. Wind and said he's excited for Ms. Kopke to take over the OLT sponsorship of the Employee Events Committee. Ms. Wind initially agreed to take on the task for "the next year." She stuck with it for well over two years, and we are excited for Ms. Kopke to take it on.

Commissioner Katsilometes congratulated Ms. Grabenstein for the enthusiasm she showed for the new seasonal employees to come in during their orientation. Ms. Grabenstein thanked him and said we couldn't do it without the seasonal employees every year.

Chairman McCray congratulated her and Ms. Wind for being the Emotional Intelligence assessors. He understands the test was quite rigorous, but it will pay great dividend. He is also very excited about the Leadership Series. Any time we can make a program our own helps it to become stable and embedded into the DNA of the Agency. It's a great development opportunity for our "people leaders." He echoed her plea for a chairperson for the Safety and Accident Review Subcommittee. Safety is one of those things that impacts every individual personally and it impacts the agency, so we want to do everything we can to make sure accidents do not happen. One of the ways to do that is to review the incidents that occur and hopefully catch them before they become a serious accident. It is important work, and we need to ensure it is top of mind. Anyone listening or reading the minutes and has an interest, please make it known because it is an important committee.

Before moving on, Chairman McCray thanked all the Administrators. Everyone recognized someone in their group or in someone else's group. We have listened to feedback from the survey that recognition is an opportunity for us, and you've taken this opportunity to provide that recognition. He appreciates that and all the hard work that is going on in each division. We're all faced with challenges of different sorts, but people have been stepping up and accepting those challenges and performing with excellence. Well done and nice job on your reports.

### **Reports on Rules Committees**

Tom Shaner, Tax Policy Research Manager, reported this is a relatively slow time for the Rules Committees. We don't have public meetings while the legislature is in session. They are doing some internal review and planning which will be on the agenda for the upcoming season. They also are watching the legislative process to see if there are any new laws or bills that will affect our rules or forms. They will have the Fiscal Review Committee meeting Thursday morning, which is mostly division administrators. That committee keeps a list of bills that have been introduced by the legislature and then track them as they progress or die to try to keep at least the Division Administrators aware of what is going on so they can assess how that will affect their

departments. He doesn't know what all goes on in some of the other areas. This year, the Tax Commission only had two legislative bills. We have dual sponsors for both, and he thought they would be introduced for a print hearing this morning in the House Revenue and Taxation Committee, but that has been postponed and we don't have a specific date. One of those bills is our conformity bill. He knows the software developers won't hit the "go" button until the bill is passed. House Revenue and Taxation Committee Chairman Harris is aware of that and was enthusiastic to get it in early.

Mr. Shaner and Ms. Adrian have been invited to appear tomorrow afternoon to present our Administrative Rules to the Senate Local Government and Taxation Committee. They've been in communication with the House Committee but haven't been scheduled.

We are at the culmination of the first year of the Governor's 5-year plan, the Zero-based Rule Initiative, so what they will be presenting tomorrow afternoon are the Administration and Enforcement Rule and the Kilowatt Hour Rule. This will be a final step in presenting it to the legislature and getting their approval.

Mr. Shaner responded to a question from Mr. Bernasconi saying they also have a new staff member: Elena Gonzalez, from Audit.

#### **Other Business**

There was no other business.

#### **Public Comment**

There were no public comments.

#### **Executive Session**

Commissioner Katsilometes 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 Zwygart 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 business meeting of the Tax Commission will be April 26, 2022, at 9:00 a.m.

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

Maria Young, Secretary

Jeff McCray, Chairman