

IDAHO STATE TAX COMMISSION

COMMISSIONERS' REGULAR BUSINESS MEETING MINUTES OF MEETING MARCH 23, 2021

This meeting was open to the public; however, everyone was encouraged to attend by telephone, and presenters to join on Microsoft Teams.

In attendance: Chairman Jeff McCray and Commissioners Moyle, Werk, and Katsilometes; John Bernasconi, Debbie Coulson, Kim Wind, Mark Warbis, Nick Landry, Rhamona Grabenstein, Rick Mascall, Lisa Palmer, George Brown, and Tom Shaner were present in the room.

Phil Skinner, Kolby Reddish, Becky Ihli, Kara Lansberry, Nathan Nielson, Erick Shaner, joined via Microsoft Teams

Public Session

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

Recognition of Certificates of Service

Chairman McCray acknowledged the employees receiving Certificates of Service: Joshua (Josh) Bielat, Technical Records Specialist 3, RO/Taxpayer Accounting, 5 years; Mei (Rose) Liu, Tax Auditor 1, Audit/Tax Discovery Bureau, 5 years; Shaunna Roeber, Tax Appraiser, Consulting, Property Tax/Property Tax Appraisal, 5 years; Sean St. Marie, Tax Auditor 2, Audit/Coeur d'Alene Field Office, 5 years; Kelly Zumwalt, Technical Records Specialist 1, RO/Account Registration Maintenance, 5 years; Ryan Hansen, Tax Auditor 2, Audit/Income Tax Audit, 10 years; Denise Reese, Tax Auditor 3, Audit/Idaho Falls Field Office, 10 years; Dawn Best, Tax Compliance Officer 2, Collection/Coeur d'Alene Field Office, 15 years; Susan Foster, Taxpayer Services Specialist, Taxpayer Resource Unit/TPS, 15 years; Lisa Palmer, Tax Specialist, Administration/Tax Appeals, 15 years; Pamela (Pam) Waters, Program Specialist, Property Tax/Property Tax Policy, 15 years; Robert Howe, Tax Bureau Chief, Collection/Central Collection Bureau, 20 years; Bryan Smith, Tax Bureau Chief, Collection/Boise Field Office, 20 years.

This is a combined total of 145 years of service. Chairman McCray, on behalf of the Commission, thanked everyone for their dedication and years of service, saying it is a testament of their dedication to the agency.

Business requiring a vote of the Commission

Minutes: Open Business Meeting – January 26, 2021

Commissioner Werk moved to accept the minutes of the Business Meeting held on January 26, 2021. Commissioner Katsilometes seconded the motion. There was no discussion; all commissioners voted aye and the minutes of the Business Meeting held January 26, 2021 were approved. Commissioner Werk said the minutes are a great resource for those that work in the agency about what is going on in the agency.

Administrative Reports

John Bernasconi, Chief Operating Officer

Mr. Bernasconi reported that Commissioners and the Leadership Team are fully dedicated to the continuing strategic growth of this agency and he is looking forward to the strategy recalibration scheduled in May. The Agency has been focused on employee engagement over the last 18 months and we're finding opportunities for improvement through the Gallup Employee Engagement Survey and he thanked everyone for demonstrating their dedication to the process.

Mr. Bernasconi reported he has been working on the change in employee compensation (CEC) planning. We received guidance from the Division of Human Resources (DHR) and Division of Financial Management (DFM) and he is developing an initial breakdown so the Leadership Team can read through and understand the options. There was a 2% fiscal year 2021 CEC and a 2% fiscal year

2022 CEC which is approximately \$1.2 million. It will be the largest single CEC ever done (primarily because it's two) but it is a great opportunity for us to thank our employees.

Finally, Mr. Bernasconi said he is proud to work for the best executive branch agency in the state of Idaho. Tax Commission staff are brilliant in what they do. We take a lot of heat externally because taxes make some people uncomfortable, but internally this is the best group with which he's ever worked.

Commissioner Katsilometes asked about DHR Director Susan Buxton becoming the Director of the Department of Parks and Recreation and whether she is still overseeing DHR. Mr. Bernasconi said she will remain the director of DHR until April 18 when David Fulkerson will become the Interim Director.

Commissioner Werk asked if the Tax Commission will be able to implement an early CEC. Mr. Bernasconi replied that we are absolutely looking at that. Our salary savings are due, in large part, to the fact that we had no idea what this year would bring, and we maintained many vacancies. That resulted in the total salary savings on hand. One way to consume that is through the CEC. The Leadership Team will review implementing the CEC early by at least four, but maybe five pay periods.

Mike Chakarun, Appeals Manager

Ms. Lisa Palmer, Tax Appeals Specialist reported on behalf of Michael Chakarun, providing an update on cases in Appeals. As of February 28, 2021, there were 333 cases in inventory with an average age of 234 days; 77.5% of those cases are less than one year old and 99% are less than two years old. Only three cases in inventory are over two years old.

Decisions have been issued on 75 of the 333 open cases. Those will not close until the 91-day statutory waiting period has expired. Within that 91-day period, the petitioner may file an appeal with either the Board of Tax Appeals or with the district court. The average age of those cases is 265 days.

There are 258 active cases remaining with an average age of 226 days. Compared to the beginning of the fiscal year, the active case count is down 29 cases, but the average age has increased by 49 days. During the first eight months of this fiscal year, 325 cases were closed with an average age of 274 days; 98% were closed within two years or less of transfer to appeals.

Commissioner Katsilometes asked why the average age of cases increased by 49 days, wondering whether it is due to the complexity of the cases. Ms. Palmer deferred the response to Mr. Chakarun for specific reasons, but she has had a case in her inventory for over two years because it is going into Federal Tax Court and while that process was slow prior to the pandemic, it is slower now.

Commissioner Werk noted there are some situations that are just out of our control. There is a Sales Tax case that involves multiple states. Staff have been waiting on a court decision, so it remains in inventory.

Debbie Coulson, Collection Division Administrator

Ms. Coulson reported the Collection Division currently has 52,649 accounts pending and looking forward to more in April. They are extending the 12-month no-lien payment program. The 12-month plans proved more beneficial than the 6-month plans, so they will continue with those into the coming year. They also removed the requirement that taxpayers complete a financial statement on any payment plan up to 24 months. This will make it easier for taxpayers to set up their plan. Collection is also automating several of their remaining manual processes; for example, International Fuel Tax Agreement (IFTA), responsible party due process, and lien renewals.

Collection leadership roles will be changing beginning on April 4: Robert Howe will take over as Bureau Chief over the Field Collection Bureau, encompassing all the field offices and staff, and Bryan Smith will assume the role of Bureau Chief over the Central Collection Bureau (official name will be determined later), which includes all Boise Collection staff. Ms. Coulson continues work to fill vacant positions.

Lynn Howard is the Collection Training Specialist and will focus on developing a training foundation over the next few months. Ms. Coulson is very excited about the opportunity to have a formal training program.

Total recoveries year-to-date are \$112,429,682.13; \$12,359,193.55 more than last year. The total number of closed collection cases is 81,430, or 4,013 more than last year, and the total number of collection cases opened is 94,594 which is 23,619 more than last year.

Commissioner Katsilometes asked if Ms. Coulson will be able to fill the 17 vacant positions. She said they will. Commissioner Werk asked if the numbers of cases opened is due to the extensions in filing deadlines or if it has to do with the impact of the pandemic. Ms. Coulson said she isn't sure, but it seems simply that more people owed taxes, although smaller amounts. Collections addressed penalties and interest for the filing extensions earlier.

Chairman McCray said he is excited that Lynn Howard is the Training Specialist. It is important, as leaders, to provide resources for our employees to be able to excel and have high job satisfaction. He feels this was an excellent decision and will show benefit going forward. He also echoed Commissioner Katsilometes' comments that the increased recoveries and the increased number of cases closed, given the challenges of the pandemic and the significant number of vacancies in Collection, is excellent work by the Collection Division. Ms. Coulson thanked Chairman McCray and said the credit goes to her team.

George Brown, Property Tax Division Administrator

Mr. Brown reported Property Tax Division has been very busy. Property Tax has a large education program that is becoming larger because county staff, both elected officials and professional staff, have less experience than those in the past. This year, the regional trainings that are normally conducted in the spring include the County Commissioner Training. Traditionally, that training has only been offered every other year, in four locations. Mr. Brown and Matt Virgil, Supervisor of Consulting Appraisers, conduct those classes. There were nine planned, but there wasn't enough interest in two locations, so there will be seven this year. Going forward, this training will be offered every year in April to teach County Commissioners how to run Boards of Equalization, which occur in June every year. The Summer and Winter schools experienced lower attendance due to the pandemic. Consequently, local classes have increased, so also in April, Education will offer three sections of the week-long basic appraisal course and four sections of a specialized appraisal course for Section 42 properties. Section 42 properties are low income properties that are appraised differently, according to law. Additionally, there will be a Mapping 101 course that will be offered at the end of April and a Ratio Study Workshop and a separate Urban Renewal Workshop, both taught by Alan Dornfest, Property Tax Policy Bureau Chief, and Kathlynn Ireland, Property Tax Policy Specialist. Alan Dornfest also conducts Budget and Levy Training every year in four or five locations and this year those will begin in late April. This training is for local taxing districts to learn how to fill out L2 forms (forms used by local taxing districts to certify budgets to the counties) and to submit them the correct way.

Mr. Brown has received information that the Summer School will be better attended this year; 22 Counties have indicated they will send individuals to the school; only 14 counties attended the Winter school in January. We don't have enough room in this building, so Education will be renting space in other locations and likely charging a little more for the courses. Brochures and registration should be available by the end of May.

The Property Tax Technical Support Bureau has filled two new Software Engineer 1 positions. Those individuals will help with the Phase 2 UAD Web programming. There are two types of programming: the programming that helps the tax bill go out and the programming for the appraisal software. When "Phase 2" is mentioned, it is the appraisal software that allows the value of the property to be generated based on attributes entered. That has been done completely in-house by Tax Commission staff, primarily Tony Magnelli. Two counties will go live for the first time this summer, which is very exciting for them. Property Tax has re-posted the Database Analyst 2 position. They had hired someone, but that person ultimately declined the offer before the first day of work.

Ratio Study Results this year have just arrived: 25 counties are out of compliance in at least one primary category; four counties with two primary categories out of compliance and two with three primary categories out of compliance, which is very rare. There are 33 total categories out of compliance, so Property Tax is working with those counties to get them into compliance before the Boards of Equalization convene in June. The compliance issues are primarily in residential categories.

Property Tax Policy has also been busy this year with the legislature. There has been a great deal of legislation this year, since Property Tax has been a big issue over the last couple of years. The Policy section has been reviewing ideas and helping write legislation.

Kathlynn Ireland is in the Certified Public Manager (CPM) Program and has chosen a study of the Property Tax Reduction (PTR) section for her Capstone Project, to see if it can be more efficient. She distributed surveys to recipients and has received 5,068 responses, which is a 37.8% return. The responses were overwhelmingly good; people liked what the state and counties do for them. The primary comments were that respondents don't want the benefit taken away nor do they want any change to the benefit. Ms. Ireland will use the responses to this survey to automate PTR and integrate collection into GenTax. She has provided FAST with some preliminary information and is now waiting to see what is possible and how much it might cost.

Regarding the CPM Program: the two main projects with the most success is Phase 2 of UAD Web and the PTR study. They're both CPM Capstone Projects. When someone begins a Capstone Project, it receives a bit more interest. Property Tax has been attempting to push through Phase 2 for several years, but in less than a year, when Tony Magnelli selected this as his Capstone Project, it went from almost nothing to now having it implemented in one county. Mr. Brown credits the emphasis of the CPM Program and Mr. Magnelli for allowing this to happen. He added that the CPM Program is a really great way to focus time and energy from quality employees and get great products.

Commissioner Katsilometes asked Mr. Brown to explain the CPM Program and how it has worked for the counties. Chairman McCray asked that Mr. Brown also define who is in the program. Mr. Brown replied that the Certified Public Manager program is through the Division of Human Resources. In the time he has worked with the Tax Commission, there have only been a few participants. Ms. Rhamona Grabenstein, Tax Commission Human Resource Officer, added that DHR coordinates it and has developed an extensive program that runs over a 2-year period; that is why it is only offered every 1-1/2 – 2 years. The class costs approximately \$3,000 per participant and the agency pays that amount once someone applies and is accepted into the program. Ms. Grabenstein added that it is an excellent program in that it brings individuals into leadership, but more importantly, into public leadership and the Capstone Project is required in order to graduate and must have some value-added to the state and/or the agency. Participants have autonomy, but the Leadership Team reviews the projects. Currently, there are three or four participants in the program at the Tax Commission. Commissioner Katsilometes asked if this program is still offered through Boise State University. Ms. Grabenstein replied that DHR coordinates with Boise State University and other contractors that provide some of the training. Commissioner Katsilometes asked how counties are finding out about participating in UAD Web? Are the applicants to this program going out and finding counties? How does this correlate to Mr. Brown's earlier statement about the CPM Program being beneficial for the counties? Mr. Brown said that the only correlation is that UAD Web comes solely from us, but CPM gave us the ability to focus. Tony Magnelli previously worked on Phase 2 a little when he had time, but when he had to pick a project, he picked that because it is a development project that was languishing. He chose to use that as his CPM project, and it is important to note that CPM participants are not required to finish their projects prior to graduation. It is all a learning experience, but we agree to give employees a significant amount of time for the class and for the projects. This allowed Mr. Magnelli to dedicate time to this program and learn how to make projects function. In one year, he took a 3 – 4-year piece of work that hadn't been functioning and completed it. There are 15 counties that want to be a part of UAD Web, but we can only convert 2 – 3 per year. Mr. Brown said he thinks this program is wildly successful and hopes we can have someone participating every time it's offered. Mr. Bernasconi added that he has previously participated as has Ms. Coulson. The CPM Program is divided into tracks; there are two in Boise and one in Eastern Idaho. They are two years long and cost of \$3,000 mentioned by Ms. Grabenstein spans three fiscal years, so the cost for the value of the training is exceptional. There is an application process and the Leadership Team vets the applicants. DHR was more involved this year than they have been in past years. They did some of the initial vetting this time. All our candidates were accepted by DHR; the program is very well supported.

Commissioner Moyle commented that there is pending legislation that would require county reports to be posted on the State Controller's website and asked if Mr. Brown sees the L2 changing and whether we are looking forward to working to the project to have counties listed on the State Controller's website? Mr. Brown said the L2 itself will not likely change because of transparency laws. He would like to see it completely automated going forward. The L2 is the form filled out by the taxing districts

then submitted to the Tax Commission to show the budget and levy numbers counties will use in the current year. The L2 lists the budget amounts and reasons the budget should go up or down. The Tax Commission then calculates the levy rate based on the numbers provided by the counties and ensure nothing is over a statutory levy rate or over a budget limit; then we send them back. That is usually completed by September and the bills are sent to the taxpayers in November. Right now, the L2 is entered electronically in some counties and by hand in others, but they all turn in a hard copy. The electronic copy is truncated and sometimes incomplete. Mr. Brown would like it to all be automated. For Property Tax to completely automate something, all 44 counties must agree, or Property Tax must reprogram our system to interact with 15 systems in a different way for every county. Right now, at certain times of the year, Alan Dornfest and Archie Keaton, Data Analyst, will have their desks covered in spreadsheets, hand checking 1,000 taxing districts and all the budget lines within the taxing district to verify they're correct. With an automated L2, we could create a system where the computer could check for us and notify us of discrepancies. That is a long-term goal and it would also create several other efficiencies. Commissioner Moyle thanked Mr. Brown for the response and said we need to be proactive because she believes we will eventually need to have that information available on our website.

Rick Mascall, Revenue Operations Administrator

Mr. Mascall reminded everyone that the IRS delayed accepting electronically filed returns until February 12, 2021. Revenue Operations (RO) knew, at the time the delay was announced in January, that there would be a backlog and that they would need to compensate; they did, and production levels are about right. So far, RO has processed 165,871 refunds for \$72,034,177. They have processed 447,298 Individual Income Tax Returns, which is 48% of the total returns processed in calendar year 2020. Business Income Tax Returns processed is 20,827 which is about 26% of the total returns processed in 2020.

There have been some challenges this year: the IRS issued instructions for the W2 that the Social Security Number could be redacted on W-2s sent to the taxpayer, so some employers redacted social security numbers on the summary forms (Idaho Form 967) and we were unable to process them. Initially, staff tried to do the research, but it was an overwhelming task, so the forms were returned to the employers and they were asked to correct the redactions. So far, it hasn't caused any production issues.

Because of the Modernized eFile system (MeF) filing delay, there were delays with Form 24 grocery credits; those are now being sent. Additionally, individual taxpayers who filed Form 24 for the grocery credit had to also file a federal form 1040 to receive stimulus payments. As a result of filing the 1040 return, an Idaho return (Form 40) is also submitted and unintentionally requested a second grocery credit refund. That second request caused an automatically generated letter declining the 2nd grocery credit refund which has caused taxpayer confusion because it simply says the grocery credit has been denied. The taxpayer is led to believe that everything is denied, so for those RO could identify right away, they called the taxpayer and explained what happened and that they will still receive their refund. There are still some that are outstanding, though. For those taxpayers, the letter is being modified so it is clearer.

At the last Business Meeting, Mr. Mascall discussed some resource challenges in his division with attrition in both permanent and temporary staff. That continues and right now, they are actively recruiting for the four regular vacancies; the register is now closed, and interviews should begin next week. There are five temporary vacancies and there is an ongoing, continuous announcement for those positions. Eleven individuals returned this year as temporary employees and eight of those have more than four years' experience. That is extremely helpful.

Commissioner Katsilometes asked about the unemployment benefit tax and how we are handling that. Mr. Mascall said the issue is that the federal government has allowed a \$10,200 per month exclusion from individuals income that will be built into the tax return. The IRS is considering automating it and that could be an issue for us because states start with the federal adjusted gross income. Idaho taxes the federal unemployment benefit amount received, so under the current rules, RO has developed some instructions and provided those to the software provider to include whatever amounts were excluded from the federal return into our Form 39. That will pull back in the amount on which the federal government doesn't assess tax. Depending on what happens later, we will adjust for that. For the moment, we have

proactively gone to the software providers and the Taxpayer Resource Unit has released articles on the website to confirm that Idaho taxes those amounts.

Commissioner Moyle said it is an interesting situation: the PPP loans brought up a similar situation, but it isn't just the state of Idaho that is working through these things. Every state is having the same issues. She is proud of how quickly we responded and how proactive we have been in figuring this out. She thanked Mr. Mascall for that.

Chairman McCray echoed Commissioner Moyle saying this has been the most interesting year that he could possibly imagine with everything that is going on at the federal and state levels. He appreciates the Revenue Operations Customer Service attitude by making those phone calls, specifically around grocery credit. That is the image and the work we are trying to build up, as a customer-facing agency. During these trying times, we can step up and lead and RO has demonstrated that, and he asked that Mr. Mascall ensure his group knows how much the Commissioners appreciate it.

Commissioner Werk added that the people that come back year after year as temporary employees are fun, nice people. It is a testament to how we treat them that they continue to return. It's heartening to see.

Kim Wind, Audit Division Administrator

Ms. Wind reported there are 94 SQRs (the tracking system for process improvements). This is the highest it's been since she has been in this position. Many are enhancements or edits, things that aren't working correctly and it includes the letters (37 open SQRs). It is part of the strategic plan to get letters created in GenTax. The Contract Desk, also in the strategic plan, is scheduled to be implemented on April 1 and it is on track. The Contract Desk, or Contract Desk Database (CDD), refers to the tracking system Audit uses to determine whether contractors properly pay sales and use tax after successfully bidding and beginning work on a project. The information will be entered and stored in GenTax after April 1, ensuring that it is securely maintained.

There were 23 additional fraud returns discovered last week; 91% of those are recovery rebate schemes which are the stimulus checks. Many don't have a requirement to file a federal return, but they're filing anyway to get their stimulus check, so it goes into the fraud system and it's causing some questions and concerns about why these people are even filing. The fraud team is aware, but there are also fraud schemes where people are trying to take advantage of trying to get that money.

Audit reports \$486,589 in refunds saved compared to last year which was \$40,000. Many this year are small-dollar refunds which makes things a little more difficult in the fraud plan due to thresholds, but they've been catching many of them. She thanked the team for trying to adjust for whatever scheme there is for the year, and this year it's the stimulus. Progress has been slow with the criminal cases due to COVID-19 at the county levels but they're back in court. Hopefully the prosecutors will begin filing charges soon.

There have been fewer audits closed, partially due to the pandemic, and the IRS audits are down: CP2000 audits come in but they are down by half. CP2000 is a federal (IRS) program that compares income and deductions reported on the federal tax return with information reported from other sources and if the amounts don't match, the IRS adjusts the tax return and mails a "CP2000 notice" to the taxpayer. They additionally notify the state(s) affected. The Idaho Audit Team has been asking the federal liaison why there are so few audits. We thought things were more automated than they are, but it is more manual than we thought.

There are several newly hired staff in Audit. Some positions were posted in January 2021, but the hiring list was subpar, and they will be reposting in April to hopefully receive more highly qualified candidates.

Chairman McCray asked that Ms. Wind convey the Commission's thanks to the Fraud Department because there have been many opportunities to "pressure test" the system this year with the uncertainty and the money that has been distributed. He said one of his favorite statements, if anyone watched his Senate committee hearing, is to "marry well, and hire well," and he appreciates Ms. Wind ensuring we have the right candidates in the vacant positions. As hiring managers, it is critical to the success of the group to get the right person in the door. Continue to be judicious and critical in making

offers. Ms. Wind thanked Chairman McCray and said that she and her staff have decided that is what they want to do.

Commissioner Werk noted that the Senate confirmed Chairman McCray to the Idaho State Tax Commission.

Mark Warbis, Public Information Director

Mr. Warbis reported that since mid-February, the Taxpayer Resources Unit (TRU) has been producing and posting weekly information “Tuesday Tax FAQs” (pronounced FAC(t)s) videos on our website and social media platforms. The idea is to give quick, two-minute videos to answer frequently asked questions handled by our customer service center. Last week’s video was on “How do I pay my taxes with a credit or debit card.” The new video that posted this morning shows people how to get copies of their tax records. These videos are created by our Training Specialist Hillary Landrum and hosted by Taxpayer Services Representative Theresa Chance. We also are preparing two more of our slightly longer instructional videos to help taxpayers during income tax filing season. These videos produced by Celeste Schmidt cover signing up for our Taxpayer Access Point or TAP and using our QuickPay function to pay taxes.

Tax Research Manager Tom Shaner and Tax Research Specialist Cynthia Adrian continued to monitor and analyze tax-related activity at the Legislature until last Friday’s recess until April 6. Work on some of the key legislation impacting the Tax Commission has yet to be finalized, and our customer service staff and the rest of TRU have been getting questions about the impact of the federal government’s latest pandemic relief bill, whether Idaho will go along with the IRS shift in the federal income tax filing deadline of May 17, and the changing taxability of various types of pandemic relief and stimulus-related income from 2020. Our good partners in the tax preparer community have been very helpful in keeping their members aware of Tax Commission guidance on pertinent legislation as it’s signed into law and he thanked Revenue Operations for keeping the tax software providers up to date, as well. Mr. Warbis appreciates the assistance in getting the word out there.

In the customer service center, there is a new take-a-number system now in place in the lobby for the front counter in anticipation of more walk-up customers in the coming weeks. Taxpayer Services will also soon be getting a secure outdoor drop box for those who would rather not come into the building. The customer service team led by Gordon Myers is receiving thousands of calls and hundreds of emailed questions and walk-up customers every week. All those numbers are expected to grow substantially in the coming weeks.

The TRU Outreach and Education team is creating new focused webinars for different types of businesses, again, led by our training specialist Hillary Landrum. They now have two that are ready to roll, and they’re planning on a third. One webinar, scheduled for April 12, is focused on people working in the beauty and service industries. The US Small Business Administration also will be presenting during this webinar. The second webinar, scheduled for May 13, is to help answer some of the many tax questions posed by vehicle dealers; sales tax is involved there and it is a very situational-specific thing so the training is a little complex and “into the weeds” and they’re hoping it is another successful webinar. The third planned webinar is aimed at answering contractor questions. They continue to work every day with experts at the Tax Commission and in other agencies, like the small business development center at Boise State and others to provide the public with important information.

Commissioner Werk said he thinks the two-minute Tax FAQs videos are really good, so congratulations. It would be easy for those to be very boring and he thinks the way they are done is engaging. He noted the deadline to file taxes is currently April 15 but will likely be extended to match the federal deadline of May 17. He asked if we are planning a “drop-off day” at the Tax Commission this year, as in years past. Mr. Warbis responded that we do intend to do that. Renee Eymann will be organizing that and hopes to have Leadership Team members and Commissioners to help with that. Right now, we just don’t know when it will be.

Chairman McCray asked if the two-week recess of the legislature will result in more activity when they reconvene. Mr. Warbis said the questions have slacked off and he believes that is partially due to spring break. Some legislators have circulated articles explaining some of the legislation that is being considered when they return.

Nick Landry, Financial Executive Officer

Mr. Landry reported that February receipts to the General Fund are strong, once again, at 29% over last year. There continues to be a strong sales tax revenue which has had a year-over-year increase of 17%. Fiscal year-to-date, through February the general fund has accrued \$430.5 M, or 19% more than last year. Regarding individual, corporate, and sales tax, the fiscal year to date increase is 21%, 18%, and 13%, respectively.

Our agency budget, through March 19, has about 1/3 of the fiscal year 21 budget remaining: about one-third (33.06%) for salaries, about 35% (35.38%) for operating costs (there are still some bills that will be paid out of this remaining amount), and about 40% (40.66%) in capital outlay money. These numbers do not reflect any of the Rebound monies we were given this year; it's just our budgeted amounts.

There are several projects in process or coming up. We are looking at implementing the [GenTax] v12 Service Pack in November. This date is not final, but is a placeholder based on the current timeline of LUMA, and some of the potential projects that may come out of the legislative session. This could include executive and legislative initiatives, potentially FAST hosting moving GenTax into a cloud-based system. We will need to be flexible through the summer.

LUMA is part of this. Right now, we haven't heard anything more about a deadline change, but things are picking up. Some parts are still in development, so we don't have clarity yet. We do expect the budget module to be completed in May; it doesn't tie to financials so can be rolled out earlier with less impact. It is very likely we will be developing the FY 22 budget, which usually begins in July, through that system. Mr. Landry expects training to start in May although there have been no official dates provided. The training for accountants will likely take about two months. The LUMA Project Team has decided to combine the second round of system integration testing and user acceptance testing into one phase due to the compressed time until the "go-live" date.

The Share Point migration project is in Phase 2. There will be a Phase 2 kickoff meeting tomorrow (March 24, 2021) including Renee Marsh and Information and Technology Services (ITS). Many business units have already looked at what type of information they want to bring over, and the team really appreciates that. It will help things move quicker. One thing they're reviewing is the smaller business units first to make sure the bigger business units won't be affected. In some of the bigger units there is more at stake if it isn't done correctly.

Regarding our external website, our part-time Web Developer had to resign which has set us back a little. There is a dedicated project manager, Lindsey Phillips who has a background in Graphic Design and has gone through the process of reviewing and finishing the documentation that was left for her. She will do a great job with it. We do have a path forward, though it isn't complete. They will bring in ITS and see what we can do as far as next steps forward. They can help us on the development side, as well as Access Idaho to get us to the end, but there are many things left to sort, including the time it will take to get it all done. When this project was initially approached, it was as a migration. That is how ITS sold it to us and we proceeded accordingly. There may be some other things that we will have to do to the website, as far as structure – to change it around and make it easier to manage, going forward. As a lay person, it looks fantastic. But there is the potential complication of having people to maintain it the way it is structured behind the scenes, so they are reviewing that. They can either fix it now or fix it later, but everyone would prefer to fix it now. He believes they have a good path forward with that, though.

The last thing is an imaging system. Theresa West, in Revenue Operations, has been gathering some requirements for the new imaging system. It is a very big project. It is a two-year process to gather requirements, get the funding for the project that will be well over \$1 M (probably \$2 M) depending on what we get. After we receive the money, we must request bids. It could potentially be sole-sourced, but there's no guarantee. Kevin Voss, Management Services, is contacting bidders within this year to see what they can do with demos and to get a better feel for what is out there. We know what we need, but we need to see what vendors can do. It is his understanding that we have many needs, but we may have to get multiple vendors involved to do what we want to do. With this, we won't leave any stone unturned to see what we can get.

Commissioner Werk asked if we are talking about getting new imaging machines? Mr. Landry said that is correct. Commissioner Werk asked when these were last purchased? Mr. Mascall replied that the current ones were rebuilt. He said there is about three years left in their life and really, this initial look at these vendors is to see what solutions are available. It may be machines, it may be outsourcing that piece, but it's talking to all these service providers to seeing what they can offer and what fits our needs best. We just don't yet know what is available. Commissioner Werk said over the years, we have had difficulty with our vendor. His concern is that these machines will reach end-of-life and the legislature will not be inclined to allow us, especially a \$2 M replacement, to allow us to replace them and we'll be in the position of having machines that are broken down and not being able to get through a tax year. Mr. Brown commented that is what happened the last time. It took three years to get \$800,000. Commissioner Werk said he hopes we can prepare so that doesn't happen again; he just doesn't want us to have all the issues we had last time. Mr. Landry said we did have a sole source with our current vendor. There have been mergers and acquisitions during the interim, which has been part of the issue. We have the benefit of hindsight now.

Commissioner Katsilometes asked if we could bring members of the Joint Finance and Appropriations Committee (JFAC) to the Tax Commission to see how things work, the imaging machines and how it could affect the entire organization if they go down. He feels it would be a good thing to do; perhaps over the summer. Mr. Landry said they thought of that, this past year, but with some of the people we have here, in some of the areas they would tour, we would have to ask legislators to wear masks while they're here and that could be a challenge. He said we will likely have this in next year's budget request or the year after. When it does happen, he would pursue having legislators come tour the Revenue Operations Division. Many could benefit from that: JFAC, the Revenue and Taxation Committee, and some of the staff at DFM.

Chairman McCray said he also thinks that is a good idea, especially given the seniority of some of the members of JFAC. Unless they're exposed to what happens in that Division, there's no way to know the complexity and how it's all entwined, so it would be good for them to see it.

Chairman McCray noted Mr. Landry mentioned in the budget that we have some bigger bills yet to pay and he asked if Mr. Landry can provide what those are and the order of magnitude. Mr. Landry replied that one is the 2nd half of our lease payment. Many Appropriations Bills have not yet been signed, so we believe that may be why the Department of Administration hasn't yet sent that bill. We still have some GenTax (FAST) invoices outstanding, as well. Chairman McCray asked if those are monthly or quarterly; Mr. Landry said they're quarterly. Commissioner Moyle asked how many of those are coming out of CARES money. Mr. Landry said none; Commissioner Moyle noted, then, that these are strictly in our budget. Mr. Landry said yes. Chairman McCray asked about the LUMA project and setting up the fiscal year 22 budget noting they had talked, during this budget-setting, about reallocating some things. He asked if that could be done through this process or if it must go through JFAC. Mr. Landry said there are certain things we have the ability to do one time within a fiscal year, for instance transferring money between object classes, say from personnel funds to operating funds or operating funds to a capital expense or between budget programs like between audit and collection to Revenue operation – that's been general practice. To make things like that permanent is through the budget process which will have to go to the governor first, then through JFAC and then the legislature. Our budget request is submitted to the governor, and the governor submits his budget to the legislature, then JFAC can start the process. Some of the things we've discussed is reallocating budgets within divisions. Fiscal year 2023 begins in July.

Rhamona Grabenstein, Human Resource Officer

Ms. Grabenstein reported recruitment is always top of mind in Human Resources. Since January 2021, 65 seasonal employees were hired for the tax season, but 16 have left the organization for various reasons. Seasonal employment is ongoing. This year, the Tax Commission piloted a program that allows 16- and 17-year olds, depending on the work, to be hired as seasonal employees. She echoed Commissioner Werk's earlier comment about the retirees returning year over year for tax season. They do an amazing job.

Regarding the regular classified positions; 109 positions have been filled since the beginning of this fiscal year; 66 of those positions were filled with existing Tax Commission employees so there is movement within the organization, but that always leaves us in that recruitment mode.

We have launched the “Tax HR Central,” our share point site that is public facing to existing employees. Current job openings are posted there for anyone interested. Other pertinent information from DHR is there, as well. Her understanding is that you can’t set an alert, so please just visit Tax HR Central and encourage staff to visit and see what is being hosted in regarding Health Matters and all the things that were previously emailed to staff. The information is still there, but staff need to visit the site. The “comings and goings” are also on the Tax HR Central.

In line with those that spoke of our strategic plan, obviously evaluating employee engagement is always important to us and we appreciate everyone who has participated in the past surveys. This year, we chose to drive employee engagement efforts using Gallup’s online resources. There is a platform called Gallup Access and in January, all supervisors were given access to that platform and trained how to navigate it. Hopefully your supervisors and leaders are conducting team meetings and showcasing some of that information. Gallup Access is a tool provided by Gallup that will help us better engage with our employees as leaders. One of the things we learned from our Gallup survey is that we have an opportunity from a leadership perspective. At previous Business Meetings, she has spoken about joining forces with Maximize Solutions and having a champion group of about 25 leaders throughout the agency attending a leadership program. That program ended in January and there is a follow-up meeting scheduled for tomorrow (March 24) to bring that group back together and talk about next steps in rolling this out to other Tax Commission leaders, supervisors, managers, and people who want to aspire to leadership roles. Ms. Grabenstein has been working slowly on taking materials learned from Maximize Solutions and developing a more tax-specific leadership module. There will be a “pulse survey” that will be a snapshot – not a duplicate of the entire survey. She is still working on what to ask and what we need the pulse on, because if managers and leaders think we’re improving, but our employees don’t think or feel like that, there is a disconnect and we don’t want that. That is the benefit of a pulse survey.

On March 10, the Safety and Security Committee (which was formed in January 2020 but hasn’t met since the pandemic happened) finally met on March 10 and sent out a message to everyone through Tax Insider asking for employees to help by being a part of several subcommittees that will guide the steering committee. Safety and Security is the steering committee and they’re seeking individuals to help develop a policy about how to address cybersecurity phishing attacks and what do we do with the information we receive. The committee wants feedback from different employees to help shape that information.

They are looking for people to help rewrite the COOP (Continuity of Operations Plan). We saw in March, when we had to pivot operations, that our plan primarily addresses physical disaster type situations. It was also written for the Park Boulevard address and needs to be re-written to make it pertinent for the Chinden campus.

There will be a subcommittee focused on training and any safety and security related training is appreciated. That committee will assess needs and help coordinate with outside providers to develop that training if it can’t be done in-house. In April, our Annual Publication 1075 Security Training begins, and it will be virtual. Pub. 1075 is the federal Tax Information Security guidelines for Federal, State and Local Agencies on protecting federal tax returns and tax information. Every employee must attend, so please watch for a schedule coming soon. Ms. Grabenstein is partnering with ITS because our cybersecurity training through KnowBe4 is polished and very good training; ITS has agreed to work with us and with other agencies who deal with Federal Taxpayer Information (FTI) to put the Annual Pub. 1075 training on KnowBe4. This will likely be the last year we will host a presentation.

The last Committee will review and assess employee accident information. All names will be redacted, but the important part is why the injury or accident occurred, what is the root cause, including near misses. This committee is currently titled Identifying Prevention Strategies and anyone who would like to volunteer for that is welcome as there are still vacancies. There are some great things happening for employees and she asks for more participation and more involvement throughout the agency because it will get better with more minds.

Commissioner Werk thanked Ms. Grabenstein for mentioning security. During the pandemic, there was so much going on, but the reality is that the agency is essentially one click away from disaster, every single day and he appreciates the communication. He's advocated for it before, but he believes in having a real culture of security. As an environmental consultant, every meeting they had started with a 2-minute talk about accidents and safety because people were slipping and tripping on exposed extension cords and the like. They considered nothing to be an accident because everything was preventable if someone mentioned it: tape down the extension cord. Because security is so important to the agency and to our reputation with our customers, the Taxpayers, he would love to see the agency develop that kind of touchpoint every time we sit down and talk as a group. Talk about security. Something within the first minute or 30 seconds to see where we are.

Chairman McCray thanked Commissioner Werk for that reminder. Chairman McCray said it might be for the group, as a whole: is there any feedback about whether the Gallup Access portal has been useful, how much is it being utilized, and are we seeing a benefit? Ms. Grabenstein said she hasn't personally reached out to the managers and leaders to discover how it's working nor whether it's being used. She did speak with Scott Grothe to see if he can contact Gallup and assess whether they can determine if we have a number of times leaders have logged in or a report we can generate so members of the Leadership Team can follow up. Mr. Mascall said he has used it, and it has great ideas on how to address specific areas. He has taken those recommendations back to his managers and they are discussing different scenarios. Chairman McCray said that would be his request, as leaders. We don't have to do the work, we have people within our teams that have been trained on how to utilize the tool, but it is a good tool to help continue the dialogue. One of the challenges he has observed is that we conducted the survey, then the pandemic hit, and it got pushed to the back burner. Please encourage your people to continue to utilize that tool. It is a good resource.

He also thanked Ms. Grabenstein for getting the Safety and Security committee back together. That is critical work, regardless of what work we're doing. There's always an element of safety and security and that needs to be at the forefront, and he appreciates Commissioner Werk's suggestion that every meeting starts with a topic on safety and security. It's easy to let that get put into the background and people get hurt or mistakes happen. Please extend his gratitude to the committee for their work.

Reports on Rules Committees

Mr. Tom Shaner, Tax Research Manager reported that Rules Committees don't usually start any meetings until the Legislature adjourns. April 1 is usually the target, but that has been postponed. This is the first year of our five-year plan in the Governor's Zero-Based Regulation, Executive Order 2020-01. Each state agency was asked to prepare a 5-year plan to revisit 20% of the rules in each of those 5 years in an ongoing basis. After combining the Beer and Wine rules, and completely cutting a rules chapter, there were exactly 10 chapters remaining, making two for each year. They tried to pair a larger set with a smaller one. Administration and Enforcement is the larger chapter this year paired with Kilowatt Hours as the shorter one. The idea is that if the entire chapter is repealed, we must rebuild it and defend the purpose for each rule. Hopefully it will go quickly. Whether we have public meetings depends on the changes to be made. Property tax will likely have more public meetings. If there are statutory changes that require rule making, we can request an exemption to the 5-year plan. Administration and Enforcement and Kilowatt Hours are both in the income tax committee.

Mr. Brown asked if meetings could be allowed earlier in the year, or maybe even in the year before? Mr. Shaner replied that he believes they can. He doesn't believe there are any restrictions on accepting ideas and discussing those kinds of things. What cannot happen is to start the notice process and taking official action on anything.

Ms. Wind said audit personnel are also concerned about the 5-year timeline. Mr. Shaner said there are a few exemptions to the 5-year structure. He prefers to receive ideas and if they fit into any of the exemption categories: required by statute, classified as an emergency, or convey a taxpayer benefit, which is a little broader. There are also non-substantive changes.

Commissioner Werk said he feels it's always better to lean toward having public involvement in rules. First, it's nice to be open and transparent about what we do because we're not trying to hide anything, and the process can be done with public involvement. Secondly, it helps with the 20/20

hindsight second-guesses. We will not likely disappoint anyone if the process is open and transparent. Commissioner Moyle added that, in speaking of kilowatt hours and considering the stakeholders that may be involved, she thinks it makes more sense to convene an open meeting.

Mr. Shaner said they do lean toward having open public meeting for things other than updating the interest rates that are updated every year in rule. Statute has a formula that has the initial tax rate from 2001 but there's a single-answer calculation and it is published in rule. Because there isn't much to discuss, it isn't in a public meeting. If there are ideas, like in Audit, they attempt to work those out before inviting the public because we don't want our staff debating the relevancy of the rule when the public is in the room; we want to figure out our position first and we try to err on the side of the taxpayer. Commissioner Moyle said even on the tax rate, it has been her experience that inviting stakeholders makes them feel included even if there is a formula and not much to talk about. She would say that when it comes to those types of meetings, she would prefer more rather than less. Mr. Shaner said they engage when needed. He just doesn't want to have people in meetings that are there just to tell us we are doing the algebra wrong. Chairman McCray said he believes the intent of the comment was that we should engage the public whenever possible.

Commissioner Werk said last year was the first year Mr. Shaner was over all the rules, and Property Tax has always done their own thing. There was an issue last year, and he asked if there is a plan going forward to ensure everyone is on the same page, even though we may have two separate tracks of rulemaking going on. Mr. Shaner said there is. Commissioner Moyle said we need to also make sure internal stakeholders are aware of those meetings and are invited. Sometimes she thinks we forget that there are others within the agency that would benefit from attending and to receive input from anyone that may have something to contribute. Mr. Shaner said that there is a representative from each division in each meeting. His unit cannot decide something for, say, Revenue Operations without asking them whether it will work.

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 Werk seconded the motion; Maria Young, Management Assistant took a roll call vote: Commissioner Katsilometes, Chairman McCray, Commissioner Moyle, and Commissioner Werk 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.

The Employee Meeting will be this afternoon at 1:30 p.m. and again on March 25, 2021. The governor will be attending this afternoon and will be recorded for the meeting on the 25th.

Chairman McCray noted the next business meeting of the Tax Commission will be May 25, 2021 at 9:00 a.m.

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

Maria Young

Jeff McCray, Chairman