

IDAHO STATE TAX COMMISSION
COMMISSIONERS' OPEN MEETING
MINUTES OF MEETING MARCH 4, 2020

In attendance: Commissioners Tom Katsilometes, Tom Harris, Janet Moyle; John Bernasconi, Debbie Coulson, Mark Warbis, Kim Wind, Tom Shaner, Elisa Magnuson, Renee Eymann, Shelli Boggie, Ryan Beus, Amy Cady, and Maria Young.

Guests: Laura Lantz, Executive Director, Idaho Society of Certified Public Accountants

Public Session

Commissioner Katsilometes called the meeting to order and welcomed all those in attendance.

Presentation of Certificates of Service

Michael Pendergrass, Human Resources Officer, acknowledged the employees receiving Certificates of Service. Ms. Boggie noted that their combined total of 150 years of state service is appreciated. The certificate of service recipients were: Deanna Johnson, Technical Records Specialist 1, Revenue Operations/Account Registration Maintenance, 5 years; Josh Ledbetter, Program Specialist, Revenue Operations/Central Processing, 5 years; Keith Lench, Tax Automated System Specialist, Audit/Managed Automation Support, 5 years; Tony Magnelli, Software Engineer III, Property Tax/Technical Support 15 years; Monica Ford, Tax Compliance Technician, Collection/Boise Field Office, 25 years Not able to attend the meeting: Jim Gunter, Tax Specialist, Administration/Appeals, 40 years; Jill Sanders, Tax Audit Manager, Audit/Income Tax Audit, 10 years; Field Office Recipients not presently expected to attend: Johnny Ketner, Tax Auditor 4, Audit/Pocatello Field Office, 15 years; Lynn Howard, Tax Compliance Officer 3, Collection/Coer d'Alene Field Office, 30 years

The Commissioners thanked everyone for coming and expressed their congratulations and appreciation to all recipients and the employees who came out to support them.

Business requiring a vote of the Commission

Minutes: Open Meeting – February 12, 2020

Commissioner Moyle moved to approve the minutes of the open meeting held on February 12, 2020. Commissioner Harris seconded the motion. All voted in the affirmative and the minutes of the open meeting held February 12, 2020 were approved.

Administrative Reports

Collection Division Administrator, Debbie Coulson

Ms. Coulson reported that collection currently has 14 vacancies; 11 are being held open to comply with the Governor's budget reset. There are 2 mission critical positions in recruitment. She is hoping to hire those positions soon to help alleviate some of the backlog.

There are currently 30,585 collection cases that are unassigned; 21,075 cases are in the Phone Power Unit. There are 118 compliance cases that have not been and there are 1,413 unassigned tech cases.

Collection has resolved 72,935 cases this year, which is almost 6,000 more cases than last year at this time. Staff are working very hard. Recoveries increased \$5,632,841 from last year to a total of \$95,054, 663.92.

Property Tax Division Administrator, George Brown

Mr. Brown was not present. Property Tax had no report.

Revenue Operations, John Bernasconi

Mr. Bernasconi reported on the Direct Debit feature available through vendors. This is the feature that allows taxpayers to pay directly through the tax preparation application instead of either writing a paper check or going through Taxpayer Access Point (TAP) on the Tax Commission website. Approximately 600 of over 30,000 payments did not process. A system anomaly caused the program to truncate routing numbers or account numbers with leading zero's and those payments did not process. It was vendor related and it has been fixed. There is a letter being sent to the affected taxpayers explaining what happened. The TAP system has been reconfigured so the taxpayer can simply verify whether their information is correct and either resubmit or choose a different payment method. Mr. Bernasconi said they chose not to just reprocess the transactions because he wanted the taxpayers to be prepared for the payment to process. There are now systems in place to monitor these types of things.

Laura Lantz asked if there is a fee associated with the direct debit transaction. Mr. Bernasconi said there is no associated fee.

Audit Division Administrator, Kimberly Wind

Ms. Wind said they have received 315,000 returns and audit has sent about 5,600 letters, about 1.7%, which is down from 2.9% last year. Seven returns have been identified as fraudulent; there were 4 at this time last year. The offsets – when people don't respond to requests for identification verification – is also up to 176. Commissioner Harris said fraud stats were going down, but now appear to be going back up and asked if the fraudsters are changing their tactics. Ms. Wind said that is always the case and it is always different. There is another new scheme this year. Commissioner Harris asked if we have enough information to send something to the taxpayers in our state. Ms. Wind said we can. Other states' fraud cases have increased as well.

There are 2 criminal cases scheduled for pre-trial next month: one is for inflated withholding and one is for health and welfare fraud.

Audit has 10 part time and 6 full time positions open that will not be filled as part of the Governor's budget reset. This will affect the numbers of audits they can process.

In partnership with BYU-Idaho, three auditors: Aaron Butikofer, Kevin Solomon, and Lorna Colvin held 6 workshops for over 500 foreign students to help with the preparation of their federal and state tax returns. These classes are reportedly in high demand. These three individuals should be commended for all the work they have done. They expect another 50 – 100 students over the next month to ask for help with returns.

Audit sends surveys to taxpayers with whom they have contact. In calendar year 2019, they sent 1,129 letters and received 283 responses. There are 6 questions on the survey and all but 2 were at 90% or higher. The highest, 98.94%, was related to whether the tax commission representative was courteous. Two were in the 80th percentile and related to whether reports are easy to understand and whether the taxpayer now has a better understand of Idaho Tax law.

Public Information Director, Mark Warbis

Mr. Warbis reported the Senate approved House Bill 381, the Tax Commission's last piece of pending legislation. This bill removes the Estate and Transfer Tax Reform Act of 1988 and amends the definition of "claimant" under the circuit breaker (Property Tax Reduction) law. It now goes to the Governor.

Tax Policy manager Tom Shaner, Tax Policy specialist Cynthia Adrian, and Property Tax Policy specialist Kathlynn Ireland continue to track other tax-related bills working their way through the process, including House Bill 494 – to increase the grocery tax credit.

Governor Little will hold a press conference at 11 a.m. today on Idaho's response to the coronavirus outbreak that will stream on the Governor's Facebook page and the Idaho Public TV website.

The Legislature's Joint Finance and Appropriations Committee takes up the Tax Commission's fiscal 2021 budget request shortly after 8 a.m. Thursday.

Tax Commission leadership has scheduled a meeting for Monday to discuss the process for ensuring the agency's compliance with Executive Order 2020-02. Specifically, we'll be discussing complying with the Executive Order's July 1 deadline for posting all "agency guidance documents" on a single page on our website. The Division of Financial Management says the Tax Commission already complies with the Executive Order's additional requirement for the posting of all agency "final orders" on a single webpage of their own by the end of the calendar year.

In recent weeks, Taxpayer Resource Unit (TRU) has represented the Tax Commission at the Idaho Financial Literacy Coalition's "Day at the Capitol," the annual Smart Women, Smart Money conference at the Centre on the Grove, and Governor Little's Capital for a Day in Cascade.

This week, TRU put a brief communications improvement survey in the field. It's a follow-up to the customer service survey that ran last fall. That questionnaire's results showed some relative weakness in our communications' clarity and ease-of-understanding. Now we want to find out more specifically where our stakeholders might be struggling, so we're asking for this additional input. We expect to have results in late April.

TRU issued a press release on Tuesday about business income tax e-file resources on our website, and Thursday a release will be issued reminding taxpayers that the Tax Commission has moved from our previous downtown location. St. Luke's still has Tax Commission signs at that location. Commissioner Moyle asked if we could ask them to cover the sign(s). Mr. Warbis said we are working with the Department of Administration to do something. Mr. Warbis said there have been discussions about having staff in both locations on April 15. There are some drawbacks to having personnel in both locations, but those discussions will continue. We will definitely have curbside pickup here. We just do not want to mislead the public into thinking that we will continue to have a presence there.

Finally, our Taxpayer Services call center received 10,672 customer calls in February. That was 1,624 calls or almost 18% more than in February 2019.

Tax Appeals Manager, Mike Chakarun

Not present. No report.

Financial Officer, Management Services, Nick Landry

Mr. Landry reported that LUMA, the new statewide accounting system is in full swing. They are into the details of the design now. There will be meetings next week and testing will begin soon. The Tax Commission edits have been completed on the FAST contract and is now with the Division of Purchasing.

New multi-function printers were installed yesterday. Those have saved the agency about \$1,500 per month. The leased vehicle bid is in the final stages and is also with the Division of Purchasing.

Commissioner Harris said his observation is that LUMA will primarily impact Management Services and that the remainder of the agency won't notice much at all. Mr. Landry said LUMA will also impact HR and procurement, but it will be a similar process to what is currently being used. There may be different limitations on purchasing, but for the most part, the functional capabilities will remain the same. The interface will be different. There will be minimal impact to most of the agency. The HR module will be added in the future. The accounting portion is being completed first. Once that is finished, the HR part will come online.

Human Resources, Rhamona Grabenstein

Ms. Grabenstein reported that the agency currently holding 25 positions vacant to satisfy the Governor's budget reset. There are some mission critical positions in recruitment that were approved by the Leadership Team. This makes employee engagement efforts more difficult, but not insurmountable. Each division is holding brainstorming sessions with their staff to address employee engagement. Some great ideas have already come out of those meetings. If those ideas can be implemented within the unit, managers are encouraged to do so; however, if the impact is agency-wide, those ideas will be reviewed by the Leadership Team in April, after all the brainstorming session have been completed. Even though

employees are being asked to do more with less, they are still optimistic about how we can improve engagement.

There are three more sessions scheduled for the Respectful Workplace Training. As part of the Governor's initiative, every employee must complete the training that is being delivered by the Division of Human Resources.

Ms. Wind asked if the field offices will be able to attend Respect Workplace training. Ms. Grabenstein said the March 17 training will be taped and the training can be live-streamed, but employees must sign up and then complete a sign-in sheet to prove they stayed for the whole training. Our conference room does not allow live streaming on Idaho Live, so the meeting on the 17th will be streamed from another location and recorded. The recording will eventually be available for those employees that have not been able to attend the training.

Additionally, every Tax Commission employee must have a federal background check completed. We are working with Idaho State Police to ensure the IRS requirements are met.

Commissioner Katsilometes asked whether that is being set up for all employees here and how she will manage this in the field offices. Ms. Grabenstein said ISP is trying to organize it so they can come here. We are waiting on confirmation of the dates and the numbers of people they can facilitate. She will share more information as soon as it is available. We already have a relationship with local agencies for the field offices to perform fingerprints. Commissioner Katsilometes asked about those that are on vacation or otherwise out of the office. Ms. Grabenstein said she will manage those instances as they arise.

Reports on Rules Committees

Tom Shaner, Tax Policy Manager, reported that at the February 12 open meeting, the Commission adopted Resolution 20-01. If necessary, and the legislature does not renew the administrative code, we will adopt all our existing body of rules as temporary rules. That will get us through the legislative session next year. The Omnibus 2020 includes all the omnibus rules from 2019 and the changes that were made this year. The difference in the omnibus this year is that we will complete fewer, if any, edits since DFM has set much higher standards.

Commissioner Harris noted several bills this year say the Tax Commission "shall" promulgate rules to support the statute and asked what that means for us. Mr. Shaner said Executive Order 2020-1: Zero-based Regulation, replaces the Red Tape Reduction Act of 2019. There is a moratorium on rulemaking this year, but there are conditions for exception. DFM will allow us to remove unnecessary, outdated or obsolete regulations. We have removed most of those already. We can add rules in order to comply with a new statutory requirement or court order, but they made it very clear that we cannot assume we will promulgate rules just because the statute says we will. We must make the case that there is a need. Under the Red Tape Reduction Act, agencies were required to cut two rules for every one added. This new Executive Order is 1 for 1.

Mr. Shaner said after this year's moratorium, and over the next 5 years, any agency that has 5 or more chapters (the Tax Commission has 10), must select 20% for each of the next 5 years to either completely repeal the chapter or make the case for what rules we want to keep. By October 1, we must submit the schedule of this 5-year review process that must be prioritized.

Mr. Shaner said he spoke with Alex Adams, Director of the Division of Financial Management (DFM), after the implementation training and was told they will work with us. We will need to make the case for what we need to do, and they will consider it. We have always kept our rules clean and well-edited. Initially, we will need some internal rules committee meetings to prioritize. DFM will limit any edits to one docket per chapter. For instance, if we need to make changes in Sales Tax Rules, we will need to find everything that needs changes within that chapter and submit it as one Administrative Rules Request Form (ARRF) docket. We currently submit changes as we get them ready because of the length of the notification process.

Commissioner Katsilometes asked if we are conducting an analysis of how this is impacting our agency? Can we show where it isn't working? Mr. Shaner said we must submit various analyses. Mr.

Adams recommended working with our assigned Deputies Attorney General to help make the case that a rule is necessary.

Mr. Warbis added that we must recognize that we are doing this as the result of an Executive Order, which has the full force and effect of law.

Commissioner Moyle said the ultimate goal is to ensure that statute is clear. If we cannot promulgate the rule, we should take it back to the legislature and ask them to clarify the statute.

Other Business

There was no other business.

Public Comment

None.

Executive Session

Commissioner Moyle moved to go into Executive Session with legal counsel pursuant to Idaho Code § 74-206(1)(f) to discuss the current status of litigation to which the Commission is a party. Maria Young, Management Assistant took a roll call vote: Commissioners Moyle, Harris, and Katsilometes all voted in favor and the motion passed.

The Commission met in Executive Session with its legal counsel pursuant to Idaho Code § 74-206(1)(f) to discuss the current status of litigation to which the Commission is a party. No matters requiring a vote of the Commission resulted from the Executive Session.

Public Comments

There were no public comments.

There being no further business, Commissioner Katsilometes adjourned the meeting.

Maria Young

Tom Katsilometes