

IDAHO STATE TAX COMMISSION

COMMISSIONERS' OPEN MEETING MINUTES OF MEETING JUNE 13, 2018

In attendance: Commissioners Ken A. Roberts, Elliot S. Werk, Tom Katsilometes, and Janet Moyle, Steve Fiscus, Michael Chakarun, John Bernasconi, Randy Tilley, Doreen Warren, Terry Ford, Glenda Smith, Michael Pendergrass, Alan Dornfest, Tom Shaner, Leah Parsons, Chuck Pond, Phil Skinner, and Adrienne Yates.

Guests: Idaho Attorney General Division Chief Kay Christensen
Associated Taxpayers of Idaho President Miguel Legarreta
Associated Taxpayers of Idaho Intern Kyle Schmidt

Public Session

Commissioner Tom Katsilometes convened the open meeting and welcomed all those in attendance.

Presentation of Certificates of Service

Michael Pendergrass, Senior Human Resources Specialist, acknowledged the employees receiving a Certificate of Service. Mr. Pendergrass stated how much their combined total of 160 years of state service is appreciated. The Certificate of Service recipients in attendance were: Jessica (Jessie) Pilot, Tax Auditor 1, Tax Discovery Bureau – 5 years and Leland (Lee) Wassmuth, Tax Audit Manager, Sales Tax Audit – 35 years.

The Certificate of Service recipients not in attendance were: Janet (Jan) Barnard, Training Specialist, Property Tax – 20 years; Darrell Wilde, Tax Field Office Manager, Pocatello Field Office – 30 years; Debbie Brown, Tax Compliance Officer 2, Boise Field Office – 35 years; and Barbara Nichols, Tax Auditor 3, Income Tax Audit – 35 years. They will receive their certificates at a later time.

The Commissioners expressed their congratulations to all the recipients and how much they appreciate all of their hard work.

Business Requiring Vote of the Commission

Resolution No. 18-02 – Property Tax Temporary Rule 600T

Alan Dornfest presented Resolution No. 18-02 Property Tax Temporary Rule 600T. He said the temporary rule before the Commission today is a new version after the discussion at the last open meeting. It is identical in all respects except for section 04 (ii). We changed that section by deleting the guidance and simply stating “Renovations and personal property related to the exempt purpose of the property, but that add value after the granting of the provisional exemption, shall not be taxed.”. Mr. Dornfest said the rule is still important as a temporary rule because the provisional exemption is retroactive back to 2016 and we know there are people applying for it

right now. Commissioner Roberts moved to adopt Resolution No. 18-02 and Commissioner Werk seconded the motion. Commissioner Roberts said in their last meeting they discussed the application of rule, he thinks as they continued to read the statute it is important to try to follow what the statute actually says. He said if the statute was more clearly written, we probably wouldn't have had this discussion. All voted in the affirmative and Resolution No. 18-02 was approved.

There was no more business requiring a vote of the Commission.

Administrative Reports

Public Information and Taxpayer Resources, Doreen Warren

Doreen Warren reported that in addition to normal activities, they are in the process of providing education and outreach on the impact of the new law changes impacting individual income tax. As you may recall, the legislation:

- Increased the standard deductions
- Eliminated personal exemptions
- Eliminated dependent exemptions
- Eliminated or capped most itemized deductions
- Provided for an Idaho nonrefundable child tax credit of \$205 for each qualifying child
- Dropped the individual income tax rate by 0.475%

Ms. Warren also reported that they are encouraging taxpayers to review their W-4 to see if they have the right amount of state tax withheld from their paycheck. She said having too little tax withheld can mean an unexpected tax bill when they file in 2019. However, having too much tax withheld can mean less money in their paychecks. She said they have implemented the 2018 W-4 Worksheet for Idaho and posted to the website. They conducted a state payroll clerk training on June 11 and there are eight state employee information sessions scheduled over the next two days. Commissioner Werk noted that those sessions are open to all state employees. Ms. Warren said they will have the website updated this week to include "2018 Tax Changes: Steps everyone needs to take now to avoid a possible tax bill".

Ms. Warren said the next steps include: developing education packets; identifying key groups to share this information and offer additional training; a mailing to all registered Idaho employers; and rolling out a media campaign the first part of July. Commissioner Roberts said he recently talked with the Boise Metro Chamber and it became very apparent that we should also disseminate that information to the Chamber Alliance and the Boise Metro Chamber. This would be a topic they would want to promote in their newsletters and within their organization.

Revenue Operations, John Bernasconi

John Bernasconi had no report.

Management Services, Glenda Smith

Glenda Smith reported that Mark Poppler, Justine Weaver, and Craig Allison are currently in Eastern Idaho visiting with the Pocatello and Idaho Falls Auditorium Districts. They are

gathering information about their auditorium taxes and discussing the next steps for the Tax Commission to administer those taxes for the districts. Ms. Smith reported that the legislative auditors are in the final stages of the management review for Fiscal Years 2015 through 2017. She said the auditors will roll into the CAFR (financial) review of Fiscal Year 2018 once the management review work is finished. As fiscal year-end is quickly approaching, it is a busy time in Management Services. She said they are beginning the closing package process, converting our cash basis operation to accrual based for the statewide financials. They also sent out an email this morning regarding deadlines for requisitions, p-card transactions, and submitting travel reimbursements. Ms. Smith said that she, John Bernasconi, and Leah Parsons met with the Department of Commerce to discuss the reporting and the new travel and convention form. She will be finalizing reconciliation reports for the Department of Commerce this week. Ms. Smith said she and John Bernasconi will attend their Travel Council meeting in July to provide information to the council about the new reporting, which resulted from the law change and subsequent return form change effective in January.

Tax Appeals, Michael Chakarun

Michael Chakarun had no report.

Audit Division, Randy Tilley

Randy Tilley reported that they are still processing a number of fraudulent activities, they have confirmed 18 fraudulent returns totaling \$9,076. They have also confirmed 69 identity theft returns totaling \$115,067. Mr. Tilley said that the same time last year there were 73 confirmed fraudulent returns and 166 identity theft returns for a total amount of refunds saved of \$467,173. He said they have sent out a lot more letters this year, staff is busy working to review the documentation returned for verification. Mr. Tilley said they have also sent out a significantly higher amount of PIN letters this year, almost 7,500 and last year we sent out about 200 of those letters. This allows taxpayers to simply use a PIN to verify their identity in the system. Mr. Tilley said there are a lot of non-responders still, he expects they will be working with identification verification documents and taxpayers well into the fall to resolve any of these outstanding requests for identification verification. He said they have also seen a significant uptick in the number of returned letters with no forwarding address. Last year we had about 1,700 overall, we are already at 2,300 of those letters that have been returned.

Commissioner Werk said there are some other states that automatically classify returns as fraudulent if they do not receive an answer from their verification letters. He said we leave those open so that the taxpayers can provide the documentation to verify their identity and claim their refunds. Commissioner Roberts said this is our third year of sending letters, so we now have three groups that we have been sending letters to. He asked if there had been any comparisons done to see how many of those are repeat customers in that category. He also asked if we have grouped those into dollar amounts for the refund or by whether they are in-state or out of state taxpayers. Mr. Tilley said they have done quite a bit of that work, one thing they do is send a specific letter to those with more than one year's refund that needs verified. He said about half of those we sent those prior year letters to actually responded at some point in time. As far as the size of the refunds, they are all over the board. Mr. Tilley said as far as where those individuals are, they are all over.

Property Tax Division, County Support, Steve Fiscus

Steve Fiscus reported there is a program on the website called Estimated Property Tax. Taxpayers can put in the information from their assessment notice and get an estimate of their property taxes. Commissioner Moyle asked if the estimator calculates any fees that may be added, and does it indicate what it is including. Mr. Fiscus said it does not include fees, bonds, or levies that may have passed. Commissioner Moyle said she wants to make sure that the website indicates that there may be additional fees or costs on top of the estimate. Mr. Bernasconi said there is a disclaimer that says: This estimate does not include levies for new taxing districts, voter approved funds, or fees (e.g. solid waste, forest protection) that may be billed on your tax notice. Actual tax amounts will be determined after budgets are set in late summer.” Mr. Dornfest noted that there are now 22 counties that participate and provide the information needed for the property tax estimator.

Information Technology, Terry Ford

Terry Ford had no report.

There were no more administrative reports.

Reports on Rules Committees

Property Tax Rules – Property Tax Rules Committee Chair, Alan Dornfest

Alan Dornfest, Property Tax Rules Committee Chair, reported they had a meeting yesterday and there are two more meetings planned for July. They had very good attendance from both the public and private sectors. Mr. Dornfest said they are working on a whole series of rules and mentioned the rules for evaluating and reformatting farmland values may be controversial, so they are aware of that. Mr. Dornfest said the other issue that has become somewhat of a controversy is related to timberland because we have been tasked to create a rule based on an agreement from the Committee on Forest Land Taxation Methodology (CFTM). They are working to come up with a method for when a reclassification of forestland would be allowed.

Product Tax Rules – Product Tax Rules Committee Chair, Don Williams

Tom Shaner, Tax Policy Manager, reported for Product Tax Rules Committee Chair Don Williams. Mr. Shaner said the committee is holding an open meeting on Tuesday, June 19, 2018 at 1 p.m. There are two negotiated rules that will be discussed. He said there are three non-negotiated rules that the committee is working on.

Sales and Use Tax Rules – Sales and Use Tax Rules Committee Chair, Leah Parsons

Leah Parsons, Sales and Use Tax Rules Committee Chair, reported there are 17 rules that are part of the Sales Tax Rules package and all of them have been approved by the Division of Financial Management. There are 15 sales tax rules, one hotel/motel campground rule, and one E911 rule. Their first negotiated rules meeting was held on May 23 and the next meeting is scheduled for June 20, 2018 at 1:30 p.m. That meeting will have five sales tax rules and the one hotel/motel campground rule.

There were no more Rules Committees reports.

Other Business

There were no items of other business.

Public Comments

Commissioner Katsilometes asked if the guests in attendance had any comments. There were no public comments.

Executive Session

Commissioner Roberts moved to go into 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. Commissioner Werk seconded the motion. A roll call vote was taken by Adrienne Yates, Administrative Assistant and Commissioners Roberts, Werk, Moyle, 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 Session

Commissioner Katsilometes declared the Executive Session ended and returned to the public session. There being no further business, Commissioner Roberts moved to adjourn and Commissioner Werk seconded the motion. All voted in the affirmative and the meeting adjourned.

Adrienne Yates

Tom Katsilometes