

IDAHO STATE TAX COMMISSION
COMMISSIONERS' BUSINESS MEETING
MINUTES OF MEETING MAY 9, 2022

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

In attendance: Chairman Jeff McCray; Commissioners Tom Katsilometes (on the phone), Jared Zwygart, and Janet Moyle (on the phone); 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.

Motion to amend the agenda

Commissioner Zwygart motioned to amend the agenda: to table Resolution 22-02: Tax Commission Decision on Double-claimed Dependents. Commissioner Katsilometes seconded the motion. Maria Young conducted a roll call vote: Commissioner Moyle, Commissioner Katsilometes, Commissioner Zwygart, and Chairman McCray voted aye. The motion to amend the agenda and table Resolution 22-02: Tax Commission Decision on Double-claimed Dependents was approved.

Recognition of Certificates of Service

Chairman McCray recognized Rhamona Grabenstein, Human Resource Officer to present Certificates of Service for the following employees.

Ashley Brewster, Tax Compliance Officer 3, Compliance/Idaho Falls Field Office, 5 years; Terrie Thorpe, Program Specialist Technician, Audit/Fuels Tax, 5 years; Michael Dodds, Software Engineer II, Property Tax/Technical Support, 5 years; Kayla Osterhout, Technical Records Specialist 3, Revenue Operations/Initial Data Operations, 5 years; Andrea Shideler, Tax Compliance Officer 1, Collections/Central Office Bureau, 5 years; Eddie Wilson, Software Engineer II, Property Tax/Technical Support, 5 years; Craig Allison, Financial Specialist, Principal, Management Services, 10 years; Jeanne Brown, Technical Records Specialist 1, Revenue Operations, 10 years; Richard Lawless, Jr., Tax Auditor 3, Audit/Lewiston Field Office, 10 years; Erik Reager, Software Engineer I, Property Tax/Technical Support, 10 years; Kimberlee Stratton, Program Specialist, Governmental Affairs Team, 10 years; Christina Tromburg, Technical Records Specialist 1, Audit/Income Tax Audit, 10 years; Candace Wright, Tax Compliance Officer 1, Collections/Central Office Bureau, 10 years; Tamara Wright, Program Specialist Technician, Audit/Fuels Tax, 10 years; Karen Eavenson, Technical Records Specialist 1, Audit/Tax Discovery Bureau, 15 years; Roderick Howard, Tax Field Office Manager, Coeur d'Alene Field Office, 25 years; Leslie Jones, Project Coordinator, Taxpayer Resources Unit, 25 years.

Chairman McCray thanked Ms. Grabenstein and commented that he is always amazed at the years of service people here contribute and he's excited that so many people are taking advantage of the promotional opportunities available within the agency. Almost everyone mentioned today has promoted within the agency and it's encouraging.

Business requiring a vote of the Commission

Minutes: Regular Business Meeting – January 25, 2022

Commissioner Katsilometes moved to approve the minutes of the Business Meeting held on January 25, 2022. Commissioner Zwygart seconded the motion. There was no discussion; Ms. Young conducted a roll call vote: Commissioner Moyle, Commissioner Zwygart, Commissioner Katsilometes, and Chairman McCray voted aye, and the minutes of the Business Meeting held January 25, 2022, were approved.

Resolution 22-01: Tax Commission to Accept Electronic Signatures

Mr. Phil Skinner, Lead Deputy Attorney General assigned to the Tax Commission presented the resolution. Mr. Skinner said the context of this is that a few months ago, an appeals staff member asked if they could accept a Power of Attorney form with an e-signature, or whether the representative would need to present a physical signature. Mr. Skinner researched and concluded that it is possible for the Tax Commission to accept e-signatures on all forms, but that Idaho law leaves it to each agency to determine whether, and to what extent, they will accept e-signatures. Mr. Skinner acknowledged that he spoke to each of the commissioners individually and this resolution reflects the wishes of the Commission. The Tax Commission will, if this resolution is adopted, accept electronic signatures on all forms and documents submitted to the Tax Commission.

Commissioner Zwygart moved to adopt Resolution 22-01: Tax Commission to Accept Electronic Signatures. George Brown, Property Tax Division Administrator was recognized and asked what an e-signature consists of: to wit, Property Tax has documents they collect from counties that require a signature to verify numbers. Mr. Skinner responded that the draft resolution refers to Idaho Code § 28-50-102(8) Commercial Transactions that code section contains the language that agencies can accept e-signatures but can decide to what extent they will do it. This resolution refers to that for the definition. If the individual had “intent” to sign the document, anything on the paper indicating the intent to sign the record will be accepted, if this resolution is adopted.

Commissioner Katsilometes asked how this will involve the commissioners on different documents. Mr. Skinner said it won't. This resolution indicates the Commission will accept electronic signatures on all forms and documents submitted to the Tax Commission. Commissioner Zwygart clarified that we already can sign using electronic means.

Commissioner Katsilometes seconded the motion to adopt Resolution 22-01: Tax Commission to Accept Electronic Signatures. There was no further discussion; Ms. Young conducted a roll call vote: Commissioner Moyle, Commissioner Zwygart, Commissioner Katsilometes, and Chairman McCray voted aye, and Resolution 22-01: Tax Commission to Accept Electronic Signatures was adopted.

Administrative Reports

John Bernasconi, Chief Operating Officer

Mr. Bernasconi reported that a taxpayer used the Taxpayer Access Portal (TAP) to track their rebate online and it said they would receive the rebate in 22 – 23 weeks. That seems like a long time, so the Rebate Team was notified, and the system has been adjusted to be more realistic. The taxpayer who reported the incident will have their rebate in less than 13 weeks.

The legislature has adjourned. The agency has reviewed the sine die report and we are finding ways to fully implement the statutes as intended.

Our semi-annual employee meeting was March 16. We delivered from each of the field offices this time, which is a big change from years prior. It was very well received, so the Commissioners and Operations Leadership Team will continue to do that every year and they've committed to getting out into the field offices more frequently.

The annual strategic recalibration is ongoing. The process is to review how the previous year has gone, to adjust our goals, metrics, and critical success factors and then prioritize our action items for the next year. We are currently working on those now. Once that is finished, it will be published for the agency.

We continue to be focused on our strategy. Our critical success factors are:

We must retain, develop, and recruit great people: 80 supervisors, managers, and leaders completed a facilitated session around Business Chemistry, which is the way we approach managing, the way we do our jobs; it was an interesting process.

We must align our budget with strategy (tracking personnel budget to expenses): We've delivered merit and retention bonuses this year in never-before-seen numbers. We implemented CEC early, both the 3% and, while \$1.25 average was directed, ours was \$1.44. This is the first year, we didn't receive any money to fund the pay line move because employees would fall below the bottom.

We must improve customer interactions: The tracking system to measure Taxpayer Services (TPS) hold times and abandonment rates is working again. We are still over the goal wait time and continue to look for ways to improve.

We must implement operational excellence: this first year, we are building the structure. Training has begun for the whole agency.

We must improve our internal and external communications: We've developed a plan, and now a communication strategy. The first draft is out for review.

This year, we've added a new critical success factor: We must leverage technology to improve our efficiency. We've found it important enough, and based on external and internal feedback, made the decision that this is something we need to focus on for the coming year.

Chairman McCray commented on the Employee Meetings saying he found it to be of tremendous value to be out in the Field Offices and he appreciates the commitment to visit them more. He and Aaron Yost, Government Affairs Program Manager, will travel to Idaho Falls, Twin Falls and Pocatello during the first week of June. This will help to continue that outreach and to see the good work that is being done in those offices.

Debbie Coulson, Interim Appeals Manager

Lisa Palmer, Tax Appeals Specialist, reported on behalf of Ms. Coulson. The next Appeals Resolution Meeting will be May 11 at 1:30 p.m.; there will be another on June 1 at 1:30 p.m.

They've completed the project to add additional case stages to Appeals and she thanked Robert Foster for taking the lead and seeing that through to completion. The next project is to add a hearing rights letter into Gen Tax. They've just begun that process and hope to have that added by October.

Year-to-date (through May 2, 2022) there are 279 current appeal cases open, and they've closed 161 cases. The average age is 301 days, which is a decrease of 32 days on average. They currently have no vacancies in Appeals, having recently added Zachary Haynes, who is working Income Tax appeal cases. He is a great asset, and they are excited to have him on their team.

Chairman McCray said he's pleased that the age of the cases is going down and thinks that has been an excellent focus point for the Appeals Division. It's in the best interest of the taxpayers.

Evan Sailor, Compliance Division Administrator

Mr. Sailor reported the Collection Division is rebranded as the Compliance Division to better reflect our mission. There are currently 23 open project work orders (SQRs). Many are short-term actions, like editing letters. Some of the bigger projects are still moving forward, including the Electronic Levy process, which is currently in testing with Chase bank, only. The goal is to work out all the bugs and go live with Chase, then move to USBank and Bank of America. He is happy to announce that Professional Credit Agency – we're outsourcing some of our cases – is now on the project board and initially, it's about a 4 – 6-month development project. The goal is to give them a large portion of the uncollectable cases and let them work those. Last week, Compliance

Division went live with at “last chance” letter. He will report at a future meeting whether that is a good thing. It’s something that began prior to his employment with the Tax Commission and is geared toward individual income tax only; before a case goes to lien, they will send the individual a “last chance” letter that will push the process out 30 more days. Those will be effective for 2021.

As of May 9, Compliance has created 88,218 cases, but they’ve closed 120,301 cases. They currently have 45,000 open cases. They’ve recently been hovering between 53,000 – 55,000, so 45,000 is an improvement. They’ve sent 24,000 letters in the last two days for individual income tax. Last year, that number was over 40,000. They’re still opening mail and receiving payments and hoping that number continues to drop.

As of April 29, they’ve recovered \$204 million, and as of today, the outstanding balance in accounts receivable is \$182 million, which is consistent with prior years. The uncollectable accounts are still at 6,100 and that debt alone is approximately one third of the accounts receivable at \$62 million. That’s the part that will be outsourced to Professional Credit Agency.

Mr. Sailor provided updates on the 3-tiered new-hire training program implemented earlier this year. The training has now been expanded, adding a 4th, 5th, and 6th tiers. They’ve interviewed the last several newly hired employees and received valuable feedback to help make improvements to the program. They’ve also implemented phases to the training so new hires are not overwhelmed with all the different tax types: Phase 1 is only individual income tax. Once they’ve demonstrated proficiency with that, they will move to Phase 2, permit-based; then, after demonstrating proficiency, move to Phase 3, withholding. Compliance continues to hold monthly in-service training on the 3rd Thursday of every month. It is required for all Compliance Division personnel.

Recently, the Compliance Division implemented a mentorship program. It is peer-to-peer mentorship. The goal now is to create a voluntary career mentor program. The Boise Field Office structure has changed, too. There are now three new promotional positions: a new Field Office Manager and two new Program Specialists. The goal of this structure change is to lower the span of control to work better with training and mentoring. Previously, there were up to 14 direct reports to one person, so it was unreasonable for them to mentor and train other people. It has been very positive.

Rebranding the division has been very positive as well, and he appreciates everyone’s support. Mr. Sailor said he’s proud of his group because they’ve been able to provide Revenue Operations. They’ve helped process sales and use tax and withholding returns and payments and they’re also still helping with the mail, trying to get through what remains of this year’s returns. Everyone has helped willingly and without complaint. He is impressed with that.

They’ve recently hired two new Tax Compliance Officer 1’s, but there are still eight vacancies. There are more interviews scheduled this week.

Chairman McCray asked about the Professional Credit Agency project and why will it take 4 – 6 months to implement? Mr. Sailor said Professional Credit is currently employed and working with Montana, Oregon, and Utah, which are all Gen Tax states, so they’re very familiar with the platforms we use (TAP, FAST). Our developers are in touch with the developers from these other states to discover what would work best with Idaho’s systems. Our developers have reported the Professional Credit developers are slower; there is a data exchange process. The process will be that we’ll send them an initial caseload, which will be large, and then every week, we’ll continue to send cases and weekly updates. Everything will be electronic. They will not collect any money. Everyone will be referred to TAP, and we will compile a monthly billing. They receive a percentage of that. Doing all that and making sure everything is filed the way it’s supposed to be electronically takes time.

Chairman McCray noted he completely supports Mr. Sailor’s training program because it’s very important. He likes that they’ve met with those being trained for feedback. That is critical for the continuing improvement process.

George Brown, Property Tax Division Administrator

Mr. Brown reported that this is the time of the year everyone works hardest in Property Tax. It is Appraisal and Assessment season. He pointed out that the 2019 Tax Burden Study, compiled and distributed by Alan Dornfest, Property Tax Policy Bureau Chief, is now available on our website.

Property Tax staff have been providing budget and levy training for clerks and local government officials and taxing districts, and they're rolling out a new way to complete the L-2 spreadsheets. An L-2 is the form with which levy is calculated. Each taxing district fills out this form with their budget requirements and restrictions and ultimately, that results in a single number that is then applied with the values to come up with a budget – a levy rate. Traditionally, everyone must fill out the whole form, but many of the things they're being asked to fill out is information that comes from the Tax Commission. Because of that, Property Tax is going to now provide a form for each entity that includes pre-loaded information. His understanding is that in the trainings this past two weeks, it was roundly applauded by local officials and especially county clerks. It will tremendously streamline this process.

The Technical Support Bureau (TSB) is, once again, in the middle of appraisal and assessment drive. They are giving checklists for each program to all the counties to follow so everything can be completed correctly. They now have a fully staffed geographic information system (GIS) unit and have processed 110 taxing district boundary changes this year. Last year, they completed 62, and the average over 10 years is 55 per year. That is 100% more annexations and de-annexations (mostly annexations) this year. It's interesting, but he doesn't know why, other than just overall growth. It's a spectacular number and they'll be watching over time to see what happens.

As noted earlier, Property Tax Division has been providing budget and levy training this year. They will have nine general sessions, four school district-specific sessions, and six county clerk sessions. Those will be spread among Moscow, Coeur d'Alene, Idaho Falls, Pocatello, Twin Falls, Nampa, and Boise. Mr. Brown and Matt Virgil, the Consulting Appraiser Manager, also completed Board of Equalization training. They're required to provide it every other year, but they've been providing it every year and this year they held a short session of about five hours. Every year there are more people involved in this training but this year, there were 47 county commissioners. That is positive. They are trying to spread the trainings out, so they went to different locations this year. They went to Challis, and unfortunately there was an ice storm the night before, so the commissioners from Lemhi and Butte counties couldn't come. Regardless, they've had good conversations and were able to view some locations for training in the future. Challis has a very nice facility that could be suitable for any type of training.

There is a record number (74) ratio study categories out of compliance, which is more than twice as many as they have ever had before. Last year was 35 or 36 and the year before there were 22 out of compliance. Most of this is because of growth. A ratio study measures value based on a sale versus the value that your appraiser or assessor puts on the property. As values rapidly increase, there is a lag between those two. It's not an emergency yet, but it creates a fantastic amount of work for consulting appraisers, our policy people, and all the county assessors. Another note of interest is that the mining industry is reopening in Idaho in a big way. Much is in answer to the demand for cobalt, phosphorous, and other minerals that are used for batteries. Some major mining operations have opened over the last year. Mr. Virgil has been visiting some of those mines with assessors to determine what is on the ground, what they're using and what kind of property is there. Mines are taxed on a net profit basis, so they'll develop a system to audit net profit reports from the mines. Last year, there were maybe two operating mines in the state. Now there are 14 and it's increasing rapidly.

Property Tax is also experiencing staffing shortages, as is everyone else. The TSB has about one third of their positions vacant right now. They have started the process of hiring for those positions, but at this time of

year, it's difficult to hire a new person and teach them because it takes 6 – 8 months for someone to be marginally independent.

Chairman McCray noted last year, he recalls some issues with calculation errors on the L-2 form and data entry errors and asked if they, as part of the project Mr. Brown mentioned today, were able to lock those cells out to alleviate that. Mr. Brown said specifically, he doesn't know but there have always been calculation and data entry errors. They receive about 1,300 L-2 forms and there is always someone that puts in the wrong number. Last year, there was one person checking those; this year, there are two. There will always be errors, but pre-loading the form will help some. We can never get rid of all the errors, but it's possible to reduce them. Right now, the Property Tax Reduction (PTR) forms are being loaded into Gen Tax and he would ask, when that is substantially completed, to integrate the budget and levy process into Gen Tax. Doing that would drastically reduce those kinds of situations.

Chairman McCray said the GIS Unit does more than just property tax boundaries and asked about the services provided to other agencies. Mr. Brown replied there was a fire mapping project and a project for the sheriffs, for coverage. He's unsure how those projects landed here. There are other agencies that have GIS capabilities, including counties. He thinks they may have come to us because some of those projects are budget related. The other part is that we are very good at our jobs, and everyone knows it. Chairman McCray said that is primarily why he brought it up: 1) they are very good, and 2) that we're willing to support other agencies and departments for the betterment of the state. He appreciates the extra effort that requires and the willingness to support those groups. Mr. Brown said our GIS people are highly educated and experienced individuals.

Rick Mascall, Revenue Operations Administrator

Mr. Mascall reported on the volumes of returns the Tax Commission has been receiving this year. There are about 850,000 individual income tax returns (IIT) right now, and about 62,000 business income tax returns (BIT), for a total of 912,000 returns. That is a large percentage of what they expect this year. There are many refunds and for every refund, there is a return. They prioritize refunds at this time of year to get those out to taxpayers as quickly as possible.

Assuming a 5% increase means there are approximately 200,000 returns left to process this year. That's good, since many seasonal workers will be leaving soon. Payments are an extra thing to process, and they try to do those as quickly as possible; within 24 hours during most of the year, but it's longer during this time of year, considering the large volumes coming in. They've seen record volumes of dollars and transactions this year. There were 145,000 as of the date he submitted his report to the Commissioners, compared to 109,000 last year.

They've processed about 8,000 Idaho Business Registration (IBR) forms this year. There are approximately 10,000 more withholding accounts now and about 5,000 more sales tax permits. The form is one thing to process, but then there are quarterly and monthly filings coming into Revenue Operations afterward.

The Tax Commission has known for some time that there are service providers that file with paper, so they've been trying to convert those to electronic. They've had little success so far. Commissioner Zwygart asked if the small businesses are primarily the ones filing paper returns. Mr. Mascall said it is likely there are many small businesses, but the service providers are the ones submitting them. There are some individuals, like farmers, that file paper returns.

The Revenue Operations Bureau Chief, Chris Barry, has retired; his last day was May 6th. Theresa West, a Program Supervisor has also submitted her resignation that will be effective August 16th. These are two high-level supervisors that will be difficult to replace. There are nine vacancies in the Registration and Processing group and two vacancies in Initial Data Operations. Permit Processing has newer people that are learning the job; about 85% of them are still within their probationary period. It is a good group, and there are training programs in place and they're getting them up to speed as soon as possible.

They've had about 62 seasonal employees this year. In 2019, they had 63, but the difference is that the employees this year are only working limited hours and days. The number of hours worked in 2019 was about 25,000; whereas, this year, it's about 15,000. That has caused – because they had to make up that time somewhere – many staff to work overtime and, in some cases, 56 hours per week. Mr. Mascall recognized and thanked both the Audit and Compliance Divisions for helping to reduce the backlogs in the mailroom. The mailroom is largely cleared out now, that is thanks to them and the overtime. They committed to having all payments for income tax that came in on vouchers completed by May 1 and they hit that target. May 17th is the goal to have all income tax payments in and they are on-track to hit that target, as well.

Mr. Mascall is very proud of his team. Their focus on efficient business rules has significantly lowered the number of returns for new individual income tax filers. Gen Tax was configured, for tax year 2021, to automatically perform steps that required a processors review in previous years. In 2021, this activity caused Revenue Operations to review about 84,000 returns, compared to 4,600 so far this year. RO continues to review business rules for other opportunities during IIT configuration and the review of business permits. Additionally, the Beer and Wine configuration for Taxpayer Access Point (TAP) is complete and many distributors have begun filing electronically.

There is currently a project for Fuel Distributors to move away from a Microsoft Access database – IDAFUELS – that allows fuel distributors to input their information so Gen Tax can retrieve it. While that is in the process of happening, there are still many returns without the benefit of electronic data. A team from RO and Audit were able to work with some of the larger distributors to get them into Access and to get it to work on their systems. The new system will be easier for distributors to use and should be in place in June.

We are moving transitioning to FAST Hosting Services. The initial stress testing is complete and positive. A communication is being prepared for staff explaining the changes that are expected to go live on May 21.

Commissioner Zwycart asked if some of the TAP complaints they've received is related to Beer and Wine being added, so there are more people using the system. Mr. Mascall said there is an increase in use and adding beer and wine could have contributed. There are increased complaints that the system is difficult to use.

Commissioner Moyle noted that we are behind with mail, and she appreciates those that are stepping up, but with the fact that we're losing two major people in his division, and the fact that growth will only make this situation worse, maybe it's time to look at best practices and review how to help alleviate the situation for RO in the coming years. It's not something to discuss right now, but it's something they need to review. We take pride in making sure our mail is opened by a certain date – at least for those employees that have been here for a while – and it creates frustration when we don't meet those goals. She wants to make sure we are ready to go, and we have best practices in place for this upcoming season.

Chairman McCray said it was sad to wish Chris Barry off, and it will be sad to wish Theresa West off in August: two pillars of the RO Division, and it's sad to see them go but he's happy they'll be enjoying retirement; it's well deserved.

Kim Wind, Audit Division Administrator

Ms. Wind reported Audit has 59 open project work orders (SQRs). They had 75 last quarter, so they're going down, but Audit isn't opening new work orders unless it's needed. There is a list of enhancements, but they will hold those until resources increase. Discoveries, which identify the years audit is working individual income tax returns, have moved into working 2019, and nonfiler's are working in 2016. 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. It is still incomplete. EOAD's must go first, and they continue to move the due date every two weeks, and while it's currently due next Friday, it will likely be pushed back again. The International Monetary Fund (IMF) was supposed to be finished by the end of May, but resources have caused everything to be slow.

Fraud is also moving along: 2% of returns we received were sent [verification] letters in 2021; this year, that number is 0.82%. Idaho was one of the only states sending two letters reminding people to send in their documents. The program has now been active for several years, and people know that when they receive a letter they must send in their documents. In 2021, there was \$613,000 saved; in 2022, it is \$1.6 million. There is one refund saved that is \$770,000 alone.

They've implemented the FAST Identity Verification System (FIVS), which is a fraud program that helps identify taxpayers by reviewing public records and other available information, and the reporting is a little different, but it's helped save time because the computer is doing the work instead of staff. FIVS went live on January 8 and is working well.

Ms. Wind provided a summary of notable events in the Audit Division. On April 2, 2022, an Idaho employer had a data breach. Audit received data on 230,000 Idahoans that had their identity information compromised. Since FIVS was implemented, Audit was able to use the program to help with that breach. FIVS is doing what it should be doing and there were no refunds lost because of that breach. There was also a single fraudulent return of \$770,000 and no refund was lost. They've updated the PIN/Quiz/ID Verification letters to help keep people from repeating themselves when verifying their identity.

Criminal cases are still moving slowly. A guilty plea was entered in the Twin Falls County Embezzlement case, and restitution is under negotiation. There have been false Schedule C filings and filing a false return in Bonneville and Ada Counties. Bonneville County declined to file; however, Ada County has issued a warrant. They are still waiting for prosecutors to file charges in other counties for issues involving filings of false returns, and embezzlement. The criminal unit has been on a state tour of each county. They're speaking with the prosecutors and letting them know what resources we have available. We want them to know who we are and how we can work together on criminal cases.

Audit accomplishments include completing the International Student Workshops. The colleges appreciate that we do this: there were 269 foreign students assisted through the workshops at BYU-Idaho, ISU, and BSU. Audit's Tax Discovery Bureau has reorganized. They've moved five staff to two existing units and created another Tax Auditor 4 position, which will help with process improvements and training. The final calculations on the disbursement of the Tobacco Litigation Master Settlement Agreement are in and the total is a little more \$26.7 million, which was more than they thought it would be. The tobacco companies hold several million dollars back every year for arbitration and we've just begun arbitration for 2005.

The Sales and Fuels Tax Audit Bureau implemented a new audit flow, as part of trying to move audits faster, so there is a new report for managers to review with staff. They will continue improving that process and the audit flow. The Sales and Fuels Tax Audit Bureau and the Taxpayer Research Unit (TRU) have partnered to provide outreach and education to the farming industry on the taxability of grain silos and bins. Included were pertinent website updates, letters to stakeholders, and in person contact with affected parties.

There were 14,371 audits closed last year, with recoveries at \$41.8 million; to date, they've closed 11,041 and recoveries are \$48.8 million. They've closed fewer cases but brought in \$7 million more this year. They are closing audits faster, as part of the strategy. The metrics for fiscal year ending 2021 show that it took 18.85 hours to close an audit. For fiscal-year-to-date in 2022, that number is 14.34 hours to close an audit. The number fluctuates, depending on the size of the audit, but they are improving the process.

Toni Nash has moved to Management Services. Ms. Nash has been the Administrative Assistant for Audit and Compliance and she is a great resource. Ms. Wind said she is excited for what Ms. Nash will be able to provide for Management Services, and the agency, overall. As of March 31, there were 10 open positions and 13 new staff in Audit. Ms. Wind thanked the HR Division because instead of posting an announcement every two weeks and then closing and reopening it, they are working on creative ways to maintain an open continuous

announcement so they can pull candidate lists as needed. The current announcement has been open one week. They've had 300 views with zero applicants.

Commissioner Zwycart noted it doesn't seem fraud increased much, if that \$770,000 case is removed. Ms. Wind replied that there are more returns and depends on the dollar amounts. She said there was one last year of over \$1 million. When those large dollar amounts are included, it skews the numbers.

Julie Eavenson, Public Information Director

Ms. Eavenson reported that the Operations Leadership Team (OLT) has reviewed the communication strategy working document. She expects to have the plan available to employees by the beginning of the fiscal year. She has a meeting on May 20 to review the draft goals; she wants more in-depth information to have a comprehensive plan and to align the goals with the Communication Strategy: getting people what they need to know, when they need to know it. Part of this involves training. During the first year, she anticipates a 2-part training. She's coordinated with Mr. Sailor and the Field Office Managers, and they've contracted Dale Dixon to provide on-camera training which will be extended to the Field Office Managers, Commissioners, OLT members and key leaders within the organization. Mr. Dixon has been a public media professional and was a member of Channel 7 News, has his own consulting firm, and specializes in training people and organizations on how to communicate. He previously provided only media training, but with the increased use of social media and online meeting platforms, he now provides communication training for employees and industry groups. The other piece is situational training for all staff to help identify where communication breakdown happens. It's good for the leaders to understand a plan and how to utilize it, but it's far better if everyone understands what is supposed to be happening. For instance, there is a change coming for Gen Tax and Mr. Mascall immediately collaborated with her when he became aware of the changes, and they developed a plan to get the information out to employees. They were able to notify employees more than two weeks in advance and let them know there would be additional information provided when available. People want to know what's happening when Leadership knows it's happening.

Some accomplishments include the recent curbside service to collect tax returns. It was a very windy day, and they will now be investing in weighted sandwich boards to serve the public better. They will also investigate a safer tent option. She hopes that by the next business meeting, they will have the Webinar for Non-Profit Organizations together. Daniel Reines currently provides an in-person presentation, but they've recognized that there's nothing available if people can't attend. They will be reviewing different ways to provide that training.

There are two new Taxpayer Service Representatives, and one vacant position. They've added some staff due to e-file and compliance calls, but calls continue to be over six minutes. They must look strategically at where to allocate resources. They know many of the dropped calls happen within the first 70 seconds. She's hoping that streamlining the Taxpayer Services (TPS) Unit will provide an opportunity to investigate ways to help people stay on the call. During busy times, the caller is hearing that they may be on the call for 60 minutes and are hanging up the phone. TPS is exploring options to keep people on the line until someone can help them. Commissioner Zwycart asked if Ms. Eavenson is exploring whether callers can select another department from the main call-in line. Ms. Eavenson said that has come up in several conversations. She doesn't have confidence that Cisco Systems can meet our needs. She knows they try, but it's a challenge with the number of callers and the increased number of taxpayers. It is something they are reviewing, but it would require extensive upgrades to our system.

Chairman McCray said we are all sensitive to the dropped calls and the long wait times and he encouraged that we don't study too much but develop an action plan that can be executed. Even if it's not a perfect solution, it's progress over perfection. We can continue to refine and make improvements. Communicate the need so the concerns can be addressed. He also commented on the webinars for non-profits saying he appreciates the outreach. Chairman McCray noted that Ms. Eavenson didn't mention it, but we are again participating in community Chambers of Commerce. It's a challenge, but it also pays dividend. It helps in recruitment and with the community and he thanked her for doing that. Commissioner Katsilometes echoed Chairman McCray's comments. Fixing the call problem is something that needs to happen.

Lisa Kopke, Financial Executive Officer, Management Services

Ms. Kopke reported they have some exciting projects coming through Management Services. She hopes Chairman McCray will be able to check out the new changes on the third floor at the Idaho Falls Field Office while they're there. There was a unique opportunity to move staff from the first floor to the third floor, which is a much more conducive space for staff and while doing that, there is the opportunity to replace their very antiquated furniture and bring them up to the standards enjoyed at the Chinden Campus. This has also opened the opportunity for us to review the security needs in all the Field Offices and they are on track to update all the badging systems at all the Field Offices. Idaho Falls will be first, Lewiston will be second, and then Twin Falls, Pocatello, then Coeur d'Alene.

House Bills 380 and 436, the 2021 and 2022 rebate programs, respectively, have resulted in 94% expenditure through March 2022 at \$206.9 million for 2021. She doesn't have results for the 2022 rebate program because it just started. House Bill 362 is the changes in transportation funding from sales tax. They hit the cap for distributions in April; the first distributions to the state local highway fund were about \$8 million. March's net receipts and accruals to the General Fund was \$366 million, up about 28% over the same time in the previous year. The total fiscal year-to-date distributions to the General Fund are \$3.7 billion. There are some filing deadline moves, so she won't know the difference between this year and last until after the May filing deadline; the 2021 deadline was May 17, and for 2022 was April 18, so they're still about a month out. The fiscal year-to-date percentages for those distributions to General Fund are: Individual Income Tax (IIT) 36%, Business Income Tax (BIT) 13%, and Sales Tax 42%.

For our personnel budget, as many have mentioned, there are several openings and considerable salary savings. Through coordination with Mr. Bernasconi, Commissioners, the Division of Human Resources (DHR), and the Division of Financial Management (DFM), we were able to maximize the Change in Employee Compensation (CEC) and implement the plan early. The operating budget, through March, was about 59% expended. There were some significant expenses in April that have now been paid; \$1.6 million was for the Statewide Cost Allocation Plan (SWCAP) annual dues, the third quarter FAST payment at \$740,000, and our postage and printing costs, which go up markedly during filing season (we sent more than 22,000 letters just during April) and there are significant costs that will come due soon. Capital Outlay is 96% expended.

As the new OLT Representative for the Employee Events Steering Committee, she is happy to report some great events coming up. We just celebrated Idaho State Employee Appreciation Day and provided cookies for everyone thanks to the donations of the Commissioners and OLT members, in addition to the Employee Appreciation Luncheon that happened in March. In June, we will celebrate the Annual Picnic hosted by the Picnic Committee on June 16. On July 20, we will have a Family Day, which was highly recommended through the Employee Engagement surveys. Commissioner Zwygart asked if the upgrades in Idaho Falls will be paid from capital outlay; Ms. Kopke said it's an operating expense.

There is one vacancy in Management Services that is not currently in recruitment, but they hope to post it soon. Ms. Wind was recognized to speak and thanked Ms. Kopke, Mr. Bernasconi, and Ms. Grabenstein for the early implementation of CEC; it's being well-received by the agency. Chairman McCray echoed that sentiment because he knows, going person by person, and getting everything into DFM and DHR in the format they request, and all the prework done on this was a tremendous effort. He said it was nice to hear Mr. Bernasconi report that we have no one below 73% of policy and that we were able to give an average of \$1.44 increase. Commissioner Zwygart also thanked them for their work.

Rhamona Grabenstein, Human Resource Officer

Ms. Grabenstein reported that on April 15, Governor Little ended the emergency declaration surrounding the pandemic and as a result, DHR removed from their website all requirements that HR personnel had, including contact tracing and attestation forms for employees returning to work after testing positive for COVID. With that, they are guiding, case by case, when an employee calls, letting them know of the change and to follow all state and local guidance as well as health care provider guidance related to the pandemic. Human Resource personnel

no longer require an attestation form to return to work. They did not publicize this, even though COVID numbers have begun to climb again. She emphasized that they are dealing with it on a case-by-case basis. If you're sick, don't come to work, and she's asking that if someone misses three or more consecutive days, help get that employee into Human Resources as the Family and Medical Leave Act (FMLA) may apply.

Everyone has reported on their vacancies, and they are well-aware of it in Human Resources. As a result of the Strategic Plan for this year, we have "implement a comprehensive hiring plan" and, in partnership with TRU, they've launched a "Join Us" campaign, so HR will have fliers and business cards to take to job fairs but there haven't been many job fairs in the local market that have netted results for the Tax Commission, so they've decided to hold our own. DHR and the Department of Administration are supporting a statewide employment job fair here at the Chinden Campus. The Tax Commission has taken the lead for coordination and April Rice, Facilities Manager at the Chinden Campus, has been great. The goal was to hold the job fair between Building 2 and Building 1; however, HP rejected the proposal saying we could not utilize the space between the two buildings. She will wrap tables around Building 2 and if there is inclement weather, she will pull everything into the Coral Auditorium. That could be tight because DHR invited other agencies and there are 16 so far that would like to participate. The Coral Auditorium is only a back-up plan. The event is scheduled for June 8, and she hopes the weather will be nice. All agencies are experiencing recruitment issues and are anxious to try different things to support the state. Ms. Grabenstein recognized TRU and all the effort they have devoted to this projects and Kevin Voss, Purchasing, to get costs for print media, radio broadcasts, table rentals, etc. Ms. Kopke will help with interagency billing to get the costs spread across agencies.

As of April 27, there were 29 positions in some stage of recruitment. That fluctuates daily, but there are some that are being strategically left open. Mr. Brown noted in his update that he has some that will remain open because of the workloads and training time it would take, and others because there are promotional opportunities. As of April 18, the fiscal year-to-date turnover is lower than the states at 16.8%; the state's is 18.4%.

The HR Modernization and Luma are also in her update report. Luma's governance board is considering six different options related to the timing of the rollout of Phase 1 and Phase 2 of Luma. Their governance Board will meet either the end of May or the first week in June to pick one of the timelines. Lori Wolff, DHR Director, said she anticipates Phase 1 and Phase 2 to go live between January and June of 2023. DHR is in the process of filling six position that were approved this year. Once those positions are filled, they will move into the implementation of the HR Modernization Plan where they will begin to group state agencies together and will develop robust training for HR professionals to promote the consistency this move is designed to accomplish.

The Tax HR department is now fully staffed. The newest hire is about to complete probation. There are three state-required annual trainings: Cyber Security training, Respectful Workplace training, and the Tax Commission requires annual Publication 1075 training. Currently, we have 100% compliance for Cyber Security training. The Respectful Workplace training is regularly held in May, but DHR is working on a "micro" module, 10 – 15 minutes, and they will deploy that electronically when it's completed. She and Nichole Boehland, our Government Liaison, are working to complete the Pub. 1075 training that will be recorded for employees and will meet the requirement for the Pub. 1075 training.

Annual Health/Dental Insurance Open Enrollment is currently under way and will end on May 13. This is the time to re-enroll in the Flexible Spending Account (FSA) and the other big change this year is that new hires must enroll within the first 30 days, or they will need to wait until the next open enrollment. Existing staff who need to add or drop a dependent must also do so during open enrollment. No exceptions. Previously, a new employee who didn't enroll within their first 30 days, or needed to enroll or drop a dependent, they could do so at will. That is no longer the case.

CEC has been mentioned today. She reminded everyone to make sure leaders are tracking their probationary employees: anyone who is hired through the end of this fiscal year, June 11, will be eligible for CEC in the next fiscal year, after their probationary period has ended. HR is tracking those and asked leaders,

managers, and supervisors to also track them and to remember that employees must have a completed evaluation on file to receive the CEC.

She is happy that Brett Jenkins, Tax Compliance Officer 2 and Safety and Security Committee Chairperson, is working with the Idaho Suicide Prevention Council to certify 12 Tax Commission employees in Suicide Prevention. This 2-day certification training will take place on June 29 and 30. He's also coordinated a 1-hour agency-wide training for July 21.

Others have mentioned their Critical Success Factors, and hers is: "We must retain, develop, and recruit great people." She and Ms. Wind are working on an agency-wide schedule for Emotional Intelligence workshops. They've completed their first training and will send that schedule soon. They're working on the second part of the Tax Leadership Series in May and they're very happy that the "implement a comprehensive hiring plan" piece involves developing an internship packet to take to colleges and universities. George Menendez, Human Resource Specialist on her team has been working with the colleges and universities and they hope to have a list of potential interns every year with the types of work they could perform. HR doesn't want to close the door on those interns that want something now, so anyone who is soliciting us for internships, they're finding a place for them. She's happy to report one such intern will be starting in Audit on May 16. She can even work with existing employees who are in a course and need intern hours to satisfy those requirements for credit. It's another way to help support our employees.

Commissioner Katsilometes said he appreciates Ms. Grabenstein and everyone else involved in implementing the CEC early. It is a real morale booster and he's very happy for that. He looks forward to that every year we have it available and he thanked her for all her help.

Chairman McCray said that even though our turnover rate is 16.8%, and we're doing better than the state average, we are far better than industry, who's rates are currently 25.2%. That says something about our recruiting and our efforts to retain great people.

Aaron Yost, Government Affairs Program Manager

Mr. Yost reported the legislature concluded the 2022 session on March 31 and his team has composed a report. With the help of Ms. Wind, with the support of every division, they have formed small subcommittees focusing on each of the bills' impacts to the agency. He expects to have updates, identified impacts, and actions ready by June 2022. Mr. Yost said he is working with the Property Tax Division to understand their processes and to be able to follow along during this season's legislation.

The Federation of Tax Administrators (FTA) Annual Meeting will be held in June, and he will also attend the Multistate Tax Commission's (MTC) Annual Meeting. They will both be in-person meetings this year. Locally, the Idaho Society of Certified Public Accountants (ISCPA) will hold their meeting on May 25, 26, and 27. Additionally, the Tax Commission will host a Stakeholder's Legislative Sine Die Recap to include all additional associations of Idaho. That is tentatively set for the end of May.

Ms. Wind was recognized to speak, and she welcomed Mr. Yost to the Tax Commission. Mr. Bernasconi was recognized to speak, and he also welcomed Mr. Yost to the Tax Commission and thanked him for meeting with all the divisions and learning what goes on in each one.

Reports on Rules Committees

Tom Shaner, Tax Policy Research Manager, said we are in our second year of the Governor's 5-year Zero-based Rulemaking Plan. Each state agency was asked to select 20% of their administrative rules so we'd be on a rotating review of all administrative rules. Coincidentally, we have 10 chapters, so we have two for each year, and have matched a larger rules chapter with one of the smaller ones. This year is Income Tax, paired with Beer and Wine. Beer and Wine were separate chapters a few years ago and were combined. Many redundancies were cut at that time, so there are only light edits on that chapter. They are reviewing all the Income Tax

Administrative Rule. They've had one public meeting so far to solicit ideas from the public and practitioners. They'll circulate the resulting draft to interested parties. House Bill 563 requires new language to be added, and they are reviewing that now. There are a couple of new statutes in Sales Tax that require new rules. Those are the new Data Center Law exemption, and Semi-conductor manufacturers. He believes we can get everything for both those statutes onto one page. He's spoken with DFM, who must approve proposals, to let them know that we will be proposing these this year.

Other Business

There was no other business.

Public Comment

There were no public comments.

Executive Session

Commissioner Zwycart 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 Katsilometes seconded the motion; Maria Young, Management Assistant took a roll call vote: Commissioner Moyle, Commissioner Zwycart, 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 July 19, 2022, at 9:00 a.m.

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

Maria Young, Secretary

Jeff McCray, Chairman