

IDAHO STATE TAX COMMISSION

COMMISSIONERS' OPEN MEETING MINUTES OF MEETING JULY 11, 2018

In attendance: Commissioners Ken A. Roberts, Elliot S. Werk, Tom Katsilometes, and Janet Moyle, Steve Fiscus, Michael Chakarun, John Bernasconi, Randy Tilley, Renee Eymann, Glenda Smith, Roxanne Lopez, Debbie Coulson, Cynthia Adrian, Alan Dornfest, Tom Shaner, Leah Parsons, Don Williams, Chuck Pond, Phil Skinner, and Kelly Martinez.

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 Elliot Werk convened the open meeting and welcomed all those in attendance.

Presentation of Certificates of Service

Roxanne Lopez, Human Resources Officer, acknowledged the employees receiving a Certificate of Service. Ms. Lopez stated how much their combined total of 80 years of state service is appreciated. The Certificate of Service recipients in attendance were: Auston Holmes, Tax Automated System Specialist, Coordination and Automation Bureau – 5 years; Jacqueline (Jacki) Murray, Technical Records Specialist 1, Image and Data Management – 5 years; Cynthia Adrian, Tax Specialist, Taxpayer Resource Unit – 10 years; and James Hammack, Tax Auditor 3, Tax Discovery Bureau – 20 years.

The Certificate of Service recipients not in attendance were: Misti Alvarez, Tax Auditor 3, Fuels Tax Audit – 5 years; Daniel Reines, Tax Auditor 3, Coeur d' Alene Field Office – 5 years; and J (Mark) Larsen, Tax Auditor 3, Idaho Falls Field Office – 30 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

Minutes: Open Meetings – May 23, 2018 and June 13, 2018

Commissioner Moyle moved to approve the minutes of the open meetings held on May 23, 2018 and June 13, 2018. Commissioner Katsilometes seconded the motion. There were no comments or amendments. All voted in the affirmative and the minutes of the open meetings held on May 23, 2018 and June 13, 2018 were approved.

Resolution No. 18-03 – Temporary Income Tax Rule 017T

Cynthia Adrian presented Resolution No. 18-03 Temporary Income Tax Rule 017T. She said Temporary Income Tax Rule 017T provides guidance to taxpayers on how to report redeemed repatriation income. This is necessary because they need to report that income on 2017 returns that they will be filing in October 2018. Tom Shaner said this is just to say definitively that this is part of federal taxable income regardless of how it is reported on the federal return. Commissioner Werk asked if this is in any way controversial and Ms. Adrian doesn't believe so. She said they will be doing a proposed rule as well, and that would be open to the public to comment at that point. Commissioner Katsilometes moved to approve Resolution No. 18-03. Commissioner Moyle seconded the motion. All voted in the affirmative and Resolution No. 18-03 Temporary Income Tax Rule 017T was approved.

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

Administrative Reports

Property Tax Division, County Support, Steve Fiscus

Steve Fiscus reported that next Monday staff will be at Bannock County to begin the conversion of their database to one that is compatible to ours. Counties have to be able to provide tax statement assessments and statutorily we have to provide services to the counties if needed. Mr. Fiscus said circuit breaker applications are being processed. He said summer school is scheduled for July 23 through July 27. County Board of Equalization has adjourned, with one county receiving an extension to address one parcel. Abstracts are starting to come in and they will start doing valuation comparisons year to year to look for changes. Mr. Fiscus said operating property appraisers sent out preliminary values and have already held initial meetings with electric, railroad, pipeline and telecom companies.

Audit Division, Randy Tilley

Randy Tilley reported that this fiscal year they completed a total of 22,089 audits, examinations, and reviews. There were 15,349 individual income tax cases, 5,196 sales tax cases, and 585 business withholding cases, with the rest of the cases being miscellaneous taxes. Mr. Tilley said they had \$50,522,528.43 in recoveries this fiscal year which is down significantly from last year's recovery totals which were \$66,805,532. He said the biggest difference is in the business income tax because multistate corporate income tax is always variable. All of the other recovery areas have increased this year. Mr. Tilley said they completed 18,778 cases this fiscal year, which is almost 4,000 more cases than last year. The automation of the CP2000 system has played a significant role in this number. He said the top three issues are usually the same: 8,364 CP2000 cases (federal adjustments); 4,211 individual income tax non-filers; and 2,787 Use Tax contract desk cases. Mr. Tilley said aircraft audits have decreased this year and they are seeing a significant increase in withholding tax activity.

Mr. Tilley said as of last week they have 18 confirmed fraud cases for a total of \$9,076 and 69 identity theft cases for a total of \$115,067. He said the letters sent out have increased significantly over last year with 49,217 letters sent this year. Some of the letters are follow-up letters and final notices. He said staff are working on methodologies to reduce false positives which will reduce the number of letters sent. Mr. Tilley said over 9,000 people have still not responded.

Tax Appeals, Michael Chakarun

Michael Chakarun reported on appeals cases for Fiscal Year 2018 and noted that his report only includes cases handled by the appeals unit, it does not include cases assigned to the Deputy Attorney Generals. He said they began the year with 380 cases in their inventory with an average age of 384 days. They ended the fiscal year with 267 cases in inventory with an average age of 349 days per case. Mr. Chakarun noted that this is a decrease of 113 cases from Fiscal Year 2017 (29.7% reduction in case load) and a decrease in average days in inventory of 35 days per case (9% reduction). The cases still in inventory include 212 income tax cases, 46 sales tax cases, five circuit breaker cases and four from other tax types. Mr. Chakarun said of the 267 cases, they have issued decisions on 58 cases which will remain in the open inventory count for 91 days. This is the period for the taxpayer to appeal the decision to either the Board of Tax Appeals or District Court. If the case is not appealed within in that period, we then will close the case. The average age of those 58 cases was 458 days. He said during the fiscal year, they closed 395 cases with an average age of 408 days per case. Mr. Chakarun said of those cases, 87% were closed within two years after transferred to Appeals. He said the target is to close 90% within two years.

Management Services, Glenda Smith

Glenda Smith reported that Legislative Services Office auditors are wrapping up their management review and will be moving on to the Consolidated Annual Financial Report review. All of the yearend open purchase orders for last fiscal year were approved so we will preserve funds for those. The yearend comparative statement will be published this week. The new ASC in Management Services will begin on July 30. They are wrapping up interviews and should be hiring soon for the buyer position.

Revenue Operations, John Bernasconi

John Bernasconi reported that as of last Saturday, they have processed 814,000 returns this year which is up over last year's number of 789,000 at this same time. The increase in returns is almost all electronically filed returns. While the error rate on electronic returns is lower than paper, 20% of returns require some sort of intervention and with that stop rate, that is 5,000 more items of work to get done. They are accomplishing that with the same level of staff they have had about 15 years ago. Mr. Bernasconi reported there are currently 20,000 individual income tax returns that have not been processed yet, but most are non-refund returns. There are some refund returns that were filed late and those will be prioritized to the top.

Public Information and Taxpayer Resources, Renee Eymann

Renee Eymann reported that recent tax laws changed the amount of withholding from paychecks, so they are encouraging people to see if the correct amount is being withheld. She said they have updated the Idaho income tax withholding tables and withholding guides for employers and they have created a W-4 worksheet for Idaho to help employees estimate their Idaho withholding. They have distributed W-4 flyers for employers to post at their workplaces and provided W-4 training to state employees. Ms. Eymann said they have launched a W-4 webpage on the website and will be updating the webpage to include examples. They are also adding instructions to estimate what you may owe. There will be a W-4 worksheet webinar on Thursday for the Idaho Society of CPAs.

Collection, Debbie Coulson

Debbie Coulson reported there is nothing new to report about the Pocatello Field Office relocation or the Twin Falls and Coeur d'Alene Field Office lease renewals. The hardening of the front counter in the Idaho Falls office is scheduled to move forward once the bulletproof glass arrives. Ms. Coulson said they are in the recruitment stage for the three new positions granted in the Fiscal Year 2019 budget. She gave an update on the State Controller Offset Program, saying that this program was implemented in December 2012 at a one-time cost of \$71,850. Recoveries from this program since implementation are currently at \$968,289.58. Ms. Coulson said collection recoveries for Fiscal Year 2018 increased by \$13,964,937 this year for a total of \$126,877,155 recovered. They closed 108,446 collection cases year to date. There were 108,098 collection cases created year to date, so they have closed 348 more cases than they have opened.

There were no more administrative reports.

Reports on Rules Committees

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

Leah Parsons, Sales and Use Tax Rules Committee Chair, reported that there is a negotiated rule-making session scheduled for July 18 and there are 12 rules being considered in this session.

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

Don Williams, Tax Policy Manager, reported that they presented two rules at the negotiated rule-making meeting last month. The motor fuel rule had no objections and will be presented in the next bulletin. They did find a problem with the cigarette rule, so they withdrew it and the committee will present a new draft of the rule at the negotiated rule meeting on July 31.

Income Tax Rules – Income Tax Rules Committee Chair, Cynthia Adrian

Cynthia Adrian, Income Tax Rules Committee Chair, had no report.

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

Alan Dornfest, Property Tax Rules Committee Chair, reported that they met yesterday to discuss fourteen permanent rules and three temporary rules. They have finished action on nine of the fourteen permanent rules, five are still open. The last meeting of the year is scheduled for July 19, 2018.

There were no more Rules Committees reports.

Other Business

There were no items of other business.

Public Comments

Commissioner Werk asked if the guests in attendance had any comments.

There were no public comments.

Executive Session

Commissioner Moyle 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. A roll call vote was taken by Kelly Martinez, 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 Werk declared the Executive Session ended and returned to the public session. There being no further business, Commissioner Roberts moved to adjourn, and Commissioner Moyle seconded the motion. All voted in the affirmative and the meeting adjourned.

Kelly Martinez

Elliot S. Werk