

IDAHO STATE TAX COMMISSION

COMMISSIONERS' OPEN MEETING MINUTES OF MEETING AUGUST 11, 2017

In attendance: Commissioners Richard W. Jackson, Tom Katsilometes, and Elliot S. Werk, Mark Poppler, Doreen Warren, Kim Wind, John Bernasconi, Kathy Osborn, Debbie Coulson, Steve Fiscus, Michael Chakarun, Tom Shaner, Rick Anderson, Alan Dornfest, Renee Eymann, Don Williams, Pam Waters, George Brown, Phil Skinner, Erick Shaner, David Young, Nathan Nielson, Becky Ihli, Alan Dornfest, and Kelly Martinez.

Guests: Associated Taxpayers of Idaho President Miguel Legarreta, Financial Management Analyst Sr. Matt Warnick, and Special Assistant for Tax and Finance Sarah Hugues

Public Session

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

Presentation of Certificates of Service

Kathy Osborn, Senior Human Resources Specialist, acknowledged the employees receiving a Certificate of Service. Ms. Osborn stated how much their combined total of 65 years of state service is appreciated. The Certificate of Service recipients in attendance were: Kathryn Rowe, Tax Automated System Specialist, Coordination and Automation Bureau – 5 years; and Steven Wargo, Tax Auditor 1, Income Tax Audit – 5 years.

The Certificate of Service recipients not in attendance were: Camille Personette, Tax Compliance Technician, Central Collection Bureau – 20 years; and Robert (Joe) Velasquez, Tax Compliance Officer 2, Idaho Falls Field Office – 35 years. They will receive their certificates at a later time.

The Commissioners expressed their congratulations to all the recipients and fellow employees who came out to support them, and how much they appreciate all of their hard work.

Business Requiring Vote of the Commission

Minutes: Open Meeting – July 12, 2017

Commissioner Jackson moved to approve the minutes of the open meeting held on July 12, 2017. Commissioner Katsilometes seconded the motion. There were no comments or amendments. All voted in the affirmative and the minutes of the open meeting held on July 12, 2017 were approved.

Resolution No. 17-08 – 2018 Property Tax Reduction Program Income Benefit Brackets

Pamela Waters, Property Tax Reduction Coordinator, presented Resolution No. 17-08 2018 Property Tax Reduction Program Income Benefit Brackets. Ms. Waters said attached to the resolution is the 2018 Property Tax Reduction Bracket, which is a yearly calculation to determine the income cap for the following year. There is a formula in Idaho Code that requires the Tax Commission to take 185% of the federal poverty guidelines for 2017, which equals \$30,044 and is .14% greater than the limit used in calendar year 2017. Ms. Waters said they are proposing to raise the 2018 Property Tax Reduction Income level to \$30,050 for 2018. Commissioner Katsilometes asked how many cases are handled in that department per year. Ms. Waters said they process about 28,000 accounts and

they have two fulltime employees and two part time employees. Commissioner Jackson said he has worked with Ms. Waters on different cases and he appreciates her due diligence and the job she does. Commissioner Werk said we should also recognize Jeff Middleton for his hard work as well. Commissioner Katsilometes moved to approve Resolution No. 17-08 and Commissioner Jackson seconded the motion. All voted in the affirmative and Resolution No. 17-08 2018 Property Tax Reduction Program Income Benefit Brackets was approved.

Administrative Reports

Audit Division, Kim Wind

Kim Wind had no report.

Management Services, Mark Poppler

Mark Poppler reported that accounting is very busy right now as they are preparing packages to convert our cash basis statements to accrual basis that the state needs for their Comprehensive Financial Statement. July revenues are done, the Department of Financial Management posts a monthly [Idaho General Fund Revenue Report](#) to their website and there is a new overall forecast for the state, which has been increased about \$61 million over the previous January forecast. Mr. Poppler said July was a good month and beat the forecast by about \$14 million. There is a new one percent deduction from sales tax that is now going to a traffic mitigation fund and we put about \$1.4 million in that fund in July.

There have been two developers that have taken advantage of the Sales Tax Anticipation Revenue Deduction program. The first development in North Idaho has been going for the last ten years, we just received a sixth claim for costs of their road improvement so we are evaluating the timing of this claim of an additional \$4 million in light of Idaho law. Mr. Poppler said the issue with the timing on this new claim is that the law spells out that the spending has to take place within a certain time period after the project is completed. Mr. Poppler said this claim would take the total up to about \$32 million and the maximum the law allows is \$35 million. The second development was for the Village in Meridian in the amount of \$19 million and has been completely paid off.

Commissioner Werk said since Mr. Poppler is overseeing Information Technology (IT) on an interim basis, could he also give a report on that department as well. Mr. Poppler said the IT department is also very busy right now. Obviously, the Version 10 conversion is in progress and it is scheduled to go live in about three months. Mr. Poppler noted that testing is a quite a bit behind but there are questions as to how we are measuring that testing. The testers are extremely busy right now, so Mr. Poppler said they are trying to find ways to make it easier for testers to get their work done. They have been having meetings to discuss what they can do for training and possibly having some automated testing, which is an area they have been struggling with for the last couple of years. Commissioner Werk noted that the issue of testing came up extensively at the RACC Conference with our vendor FAST, and said that other states are feeling the same frustrations with the demands of testing.

Mr. Poppler mentioned that IT really wants to know when we are moving, those are key factors because the IT move could take six months to complete. Commissioner Werk said we have no factual information above and beyond what has already been communicated to staff.

Revenue Operations, John Bernasconi

John Bernasconi reported that returns are flat this year so far, they are only up about 8,000 which is much lower than projected. They are anticipating a larger than usual return processing flow in September and October. Mr. Bernasconi reported they are bringing two temporary positions back around September 11 and they do not anticipate they will have more than eight for the season through October. Refunds are up about 15,000 refund returns processed at this point from last year and we

have almost zero returns in backlog compared to 9,000 last year. Revenue Operations had anticipated it would be a busier season so they brought temporary employees on earlier and that allowed them to work the returns that did come in more quickly. Returns were also processed through the fraud manager process much quicker this year. The average refund amount is \$560 this year, which is up \$13 from last year. Commissioner Werk said out of the fraud manager this year, there were 29,000 letters sent to taxpayers to verify identification and he asked to date how many letters are outstanding where we have not heard back from the taxpayer. Ms. Wind said there about 3,000 non-responders left to review. Mr. Bernasconi said that at this point we have sent 6,400 final notices, so that is probably closer to the total number of non-responders. If there is still no response received, the refund will be held until verification is complete.

Property Tax Division Administrator, County Support, Steve Fiscus

Steve Fiscus reported State Board of Equalization will convene on Monday to hear appeals of value. There are a few companies who have filed appeals; we will also be reviewing the County abstracts. Each category of property has a value in Idaho and Alan Dornfest reviews those to see if there are distinct differences from year to year. If it is significantly higher or lower then we question those values. Mr. Fiscus said they have established tolerances, so if a value goes up 3-5% they think that is probably something we know should have happened because of a failed ratio study or something. However, if they see an increase above that then they will question that to find out what was done this year to increase the value. Mr. Dornfest will be giving that County abstract report to the Commissioners and they will ultimately adopt the abstracts for the year.

Mr. Fiscus said they are also dealing with the federal “4-Rs” Act which requires that the railroads be assessed at a certain level in comparison to industrial and commercial properties. Mr. Dornfest will also have a recommendation on that because that equalization must be done each year according to federal law.

Mr. Fiscus just returned from the County Treasurers Conference where the annual calendar for duties of Elected Officials was reviewed and published. He will be attending the County Clerks Conference next week and then the Assessors Conference in McCall in two weeks. Property Tax is in the final stages of hiring for a GIS position and an IT position. Mr. Fiscus said summer school was successful, they do not have the numbers yet but they will start planning for the winter classes soon.

Collection, Debbie Coulson

Debbie Coulson reported that the current accounts receivable balance is \$135,388,735, which is an increase of \$10,670,134 over the same period last year. The collection recoveries for July were \$8,806,158 and was an increase of \$939,961 over last year. There were 6,218 collection cases created and 9,610 collection cases closed in July. Phone Power handled 10,450 calls between twelve employees for the month of July. Ms. Coulson said they have focused a lot of effort over the last 30 days on contacting those who have advertised in local papers and on social media that they will be providing space or services during the solar eclipse on August 21. They have accumulated a list of approximately 1,000 people and so far, they have called 500 people from that list. Collection has issued just 42 temporary Travel and Convention permits so far. Commissioner Werk said he really appreciates the outreach efforts they are making.

Public Information Director, Taxpayer Resources, Doreen Warren

Doreen Warren reported with August 21 quickly approaching, their final outreach for the solar eclipse event includes: issuing a press release reminding people to register to collect taxes if they sell or rent out during the eclipse; in addition to the effort of the Collection Division, they are also distributing eclipse flyers to let people know their tax obligations if they sell or rent; and they are working with the City and County Clerks to link to the solar eclipse information on our [website](#) as well as flyer distribution.

Ms. Warren reported on the publication modernization initiative, which will ensure our educational materials on the website are current. They also plan to update the technology used to develop these materials, which will make them easier to update in the future. This effort will begin after they finalize the methodology and identify the resources needed. Ms. Warren gave an update on the Plain Talk initiative saying employees will receive training next week and Brittny Goodsell from Washington Department of Revenue will be onsite to provide the training. Ms. Warren said they have been working with Revenue Operations to update paragraphs on the Request for Information letters, and they are preparing to finalize 29 paragraphs within the next couple of weeks. Finally, in Taxpayer Services, they are working with our Research Analyst to evaluate call-in data from the last couple of years to schedule just in time training and to ensure we have resources properly allocated.

Tax Appeals Manager, Michael Chakarun

Michael Chakarun had no report.

There were no more administrative reports.

Reports on Rules Committees

Sales and Use Tax Rules – Interim Committee Chair, Tom Shaner

Tom Shaner, Sales and Use Tax Rules Interim Committee Chair, reported they started out with 19 proposed rules but withdrew two because they were taken care of by another rule. They submitted notifications with drafts for 13 rules in the September bulletin and one will be published in the October bulletin. Mr. Shaner noted that the other was published back in July and has been approved by LSO. He said they are experiencing some robust negotiated rule making, the business community has been very involved in that and there has been some very good input. Commissioner Werk said there was one rule that really ended up being a clarification about data cabling and the individual that called in about that was concerned the data cabling would somehow increase their property value for property tax purposes. Mr. Shaner said that is the rule LSO has approved as being within our statutory authority. Mr. Legarreta thanked staff for their work on that particular rule as well, he knows it has been a lot of work.

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

Alan Dornfest, Property Tax Rules Committee Chair, asked Rick Anderson to report on the Property Tax Rules Committee as he was not able to attend the last committee meeting on August 1. Mr. Anderson said they had seven of their last proposed rules on the agenda and the committee approved all seven to move forward for publication in the administrative bulletin in October. The seven approved at the August meeting were separated into three categories: four were pertaining to homeowners exemption and circuit breaker programs; two rules pertained to House Bill 156 regarding park model recreational vehicles; and Rule 631 regarding the 63-602NN exemption which has been broadened to include a lot of other commercial properties.

Commissioner Werk said in regard to the 63-602NN exemption, the changes made by the legislature were not entirely clear and with 44 counties administering in their own ways, we could get busy in the coming years and may need to clarify that statute at some point. Mr. Dornfest said he agrees, there is already confusion in a lot of areas. He said they have made some presentations to different counties and they also plan to do a presentation at the IAC Assessors Conference in a couple of weeks. Mr. Dornfest said they are very mindful that they are not in charge of this exemption, the County Commissioners are. He said they are also working with IAC and the Department of Commerce trying to make sure informational brochures are up to date. Mr. Dornfest said they just

learned about a week ago that the informational brochure that IAC had out on its website was from November 2016 and is outdated.

Steve Fiscus said they have made one interpretation that it is in fact County Commissioners jurisdiction because we have had public utilities that have indicated that they feel they could qualify for this exemption with new investment and our indication is that is not the case because County Commissioners do not have any jurisdiction over public utilities. Commissioner Werk said that is the key, we are placed in the position of, in essence, policing the work of the County Commissioners. If they do not do it properly it affects other property taxpayers. Commissioner Katsilometes said because of the vagueness of the legislation this will be the new urban renewal cottage industry for property taxes in the future.

Product Tax Rules – Committee Chair, Don Williams

Don Williams, Product Tax Rule Committee Chair, reported the negotiated rule-making meeting was held August 3 and they discussed two beer rules, two wine rules, and three motor fuel rules. The beer and wine rules were finalized and will be published in the October bulletin. He said there was a long discussion over the three motor fuels rules and the committee is continuing to work on these rules and hope to have a final draft to present to the public at the August 28 open meeting.

There were no more rules committee 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 Katsilometes 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 Katsilometes, Jackson, and Werk all voted in favor and the motion passed.

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

Public Session

There being no further business, Commissioner Jackson moved to adjourn the meeting and Commissioner Katsilometes seconded the motion. All voted in the affirmative and the meeting was adjourned.

Kelly Martinez

Elliot S. Werk