

IDAHO STATE TAX COMMISSION

COMMISSIONERS' OPEN MEETING MINUTES OF MEETING SEPTEMBER 13, 2017

In attendance: Commissioners Richard W. Jackson, Ken A. Roberts, Tom Katsilometes, and Elliot S. Werk, Mark Poppler, John Bernasconi, Roxanne Lopez, Debbie Coulson, Steve Fiscus, Michael Chakarun, Randy Tilley, Cynthia Adrian, Tom Shaner, Renee Eymann, Leah Parsons, Don Williams, Sherry Briscoe, Chuck Pond, George Brown, Phil Skinner, Erick Shaner, David Young, Nathan Nielson, Elisa Magnuson, Becky Ihli, and Kelly Martinez.

Guests: Idaho Attorney General Division Chief Kay Christensen and ISCPA Executive Director Laura Lantz

Public Session

Commissioner Richard Jackson convened the open meeting and welcomed all those in attendance.

Presentation of Certificates of Service

Roxanne Lopez, Human Resource Officer, acknowledged the employees receiving a Certificate of Service. Ms. Lopez stated how much their combined total of 155 years of state service is appreciated. The Certificate of Service recipients in attendance were: Lance Taylor, Technical Records Specialist 1, Image and Data Management – 5 years; Celinda Manweller, Office Services Supervisor 2, Sales Tax Audit – 20 years; Jeffrey Servatius, Geographic Information and Cartography Manager, County Support/Property Tax – 20 years; Renee Eymann, Public Information Officer, Communications – 25 years; and Randy Tilley, Tax Division Administrator, Audit – 35 years.

The Certificate of Service recipients not in attendance were: Munrai Fisher, Tax Compliance Technician, Twin Falls Field Office – 5 years; Andrew Wasdahl, Tax Auditor 1, Tax Discovery Bureau – 5 years; Brad Jones, Tax Compliance Technician, Boise Field Office – 10 years; and Lee Ely, Tax Auditor 3, Coeur d'Alene Field Office – 30 years. They will receive their certificates later.

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 – August 11, 2017

Commissioner Werk moved to approve the minutes of the open meeting held on August 11, 2017. Commissioner Roberts seconded the motion. There were no comments or amendments. All voted in the affirmative and the minutes of the open meeting held on August 11, 2017 were approved.

Minutes: Idaho State Board of Equalization Open Meetings – August 14, 15, 18, 2017

Commissioner Werk moved to approve the minutes of the Idaho State Board of Equalization open meetings held on August 14, 2017, August 15, 2017, and August 18, 2017. Commissioner

Roberts seconded the motion. There were no comments or amendments. All voted in the affirmative and the minutes of the Idaho State Board of Equalization open meetings held on August 14, 2017, August 15, 2017, and August 18, 2017 were approved.

Resolution No. 17-09 – 2018 Interest Rate

Cynthia Adrian presented Resolution 17-09 that gives the annual rate of interest applicable to delinquent state taxes accruing or unpaid during all or any part of calendar year 2018 and is calculated at 4% simple interest. Commissioner Katsilometes moved to approve Resolution 17-09 adjusting the interest rate, and Commissioner Werk seconded the motion. All voted in the affirmative and Resolution 17-09 for the 2018 Interest Rate was adopted.

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

Administrative Reports

Audit Division, Randy Tilley

Randy Tilley reported that they are continuing to work on fraud reviews and they have stopped 288 returns attempting fraud or identity theft for a total of \$504,850. They are still following up with non-responders and have sent out close to 30,000 letters this year. Mr. Tilley reported that the response rate has been very good, with 89% response on the identity quiz letter, 87% response on the identification verification letter, and 91% response to the PIN letter. Mr. Tilley noted that 43% of the letters sent to prior year non-responders were returned with documentation, which allowed them to release both current and prior year refunds. The average overall response rate of letters was 85%. The fraud team and Revenue Operations are reviewing letters to improve the response rate and this may mean changing the order of the letters sent. Mr. Tilley noted that the amounts of non-responder refunds vary.

In conjunction with FTA, Idaho will be hosting an advanced fuels tax audit training in December of this year. The training will utilize some of our Federal Fraud Grant funds we received to reduce fuels tax fraud.

Management Services, Mark Poppler

Mark Poppler reported that the Tax Commission did receive a grant to reduce fuels tax fraud for \$22,500 from the federal government and we have spending authority of \$8,000 per year. He said the main accomplishment of accounting this month was getting the new budget submitted on September 1. We submitted four line items: 1) Automated Systems Specialist in General Services; 2) Outreach Manager position in the Taxpayer Resources Unit; 3) three additional positions in Collection to reduce backlog; and 4) cumulative changes in the administrative fund for a net of \$46,000.

Mr. Poppler said the GenTax Version 10 conversion is on schedule and testing is about halfway finished. The conversion is scheduled to take place the weekend of November 10, 2017. He said there is a lot of planning being done for the move. Celin Adams has put together an organizational change management team with representatives from each major area of our agency. This will help with communication within the units as we receive more information. Commissioner Werk noted that there has not been a purchase and sale agreement signed as of yet with HP. Commissioner Roberts said due diligence has been going on and he has attended a couple of meetings with the architects. He also said the Industrial Commission will be moving at the same time into that building. Kay Christensen confirmed that a lot is going on right now and that it will be late November or early December before any agreement is signed.

Revenue Operations, John Bernasconi

John Bernasconi reported said they are entering the fall tax drive. The fall tax drive is somewhat smaller, but still takes substantial efforts to complete. Electronically filed Individual Income Tax returns are up 12,304 over last year's numbers and paper returns are down 2,597 from last year's numbers. Mr. Bernasconi said total Individual Income Tax returns are up 1.22%, which is 9,707 over last year. They have issued \$320 million in refunds through last Friday and last year at this time of year, they had issued \$304 million. The average refund is \$561.11, which is \$13.50 more than last year's average refund. Mr. Bernasconi reported they reduced the number of temporary employees this year and they have recently brought back two temporary employees to open mail. They will bring two more in as the fall tax drive progresses. Commissioner Werk noted that the two temporary employees that have come back to open mail have been returning for the last 30 years and he would like to recognize them for that.

Property Tax Division Administrator, County Support, Steve Fiscus

Steve Fiscus reported that budget hearings for taxing districts happened last week and budget certifications are trickling in. He said we review each one of those to determine if they have exceeded their budget or levy levels. If they have, we have to send something out and they have to redo the certification through a public hearing or an ordinance. Mr. Fiscus said the review process for property tax reduction, also known as circuit breaker exemption, is continuing and that has to be completed by the time they do their property tax drive.

The public utility appraisers are hard at work developing the 2018 values and this afternoon we will be meeting with representatives of the non-utility generators to review the valuation process. Mr. Fiscus noted that the GIS shop is busy processing annexations that occurred this year and will be effective for the 2018 tax year, which allows those districts to levy taxes on those annexed properties.

Mr. Fiscus said we have prepared the list for prospective classes for winter school. The technical support group is putting the final touches on the tax drive software for the County Treasurers as they have a tax drive in October for property tax.

The consulting appraisers are meeting today for their quarterly staff meeting. One of the topics they will be discussing is the requirement for County Assessors and appraisers to physically appraise every property in their county once every five years. This year, two counties failed to meet that quota. These counties must, by law, file a remediation plan with the Tax Commission by Friday, September 15.

Mr. Fiscus said last week they had a meeting with a representative from Cat Creek Energy Generation, which is a rather large project in Camas County that is wind, solar and hydro. It is very interesting from a property tax standpoint because solar, wind and hydro are all taxed differently.

Collection, Debbie Coulson

Debbie Coulson had no report.

Tax Appeals Manager, Michael Chakarun

Michael Chakarun had no report.

There were no more administrative reports.

Reports on Rules Committees

Income Tax Rules – Committee Chair, Cynthia Adrian

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

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

Tom Shaner, Sales and Use Tax Rules Interim Committee Chair, reported that they have finished their work for the season. All of the negotiated rules are complete and a final rule will be published in the October bulletin. He said of the 19 rules they started with, 15 will go to the legislature. Two were redundant and the other two were simple statute references that can be done administratively. There are no other public rules meetings scheduled at this time.

Product Tax Rules – Committee Chair, Don Williams

Don Williams, Product Tax Rule Committee Chair, reported that the negotiated rule-making meeting on August 28 discussed three motor fuels tax rules. There were three members of the public present and the updated drafts of rules were presented. There were more changes suggested and following incorporation of those changes, the drafts were submitted for publication in the October bulletin.

There were no more rules committee reports.

Other Business

There were no items of other business.

Public Comments

Commissioner Jackson 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. Commissioner Werk seconded the motion. A roll call vote was taken by Kelly Martinez, Administrative Assistant and Commissioners Roberts, 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 Roberts moved to adjourn the meeting and Commissioner Katsilometes seconded the motion. All voted in the affirmative and the meeting adjourned.

Kelly Martinez

Richard W. Jackson