

IDAHO STATE TAX COMMISSION

COMMISSIONERS' BUSINESS MEETING MINUTES OF MEETING APRIL 25, 2023

In attendance: Chairman Jeff McCray, Commissioner Jared Zwygart, Commissioner Janet Moyle; Kim Wind, Kathlynn Ireland, John Bernasconi, Evan Sailor, Rick Mascall, Lisa Palmer, Lisa Kopke, Rhamona Grabenstein, George Brown, Troy Baker, Renee Eymann, Nate Nielson, Janet James, Sandy Bowen, Gordon Myers, Laura Lantz, Idaho Society of Certified Public Accountants' Executive Director; Brian Stender, Canyon County Assessor; Joe Cox, Chief Deputy Assessor, Canyon County; Hayden Rogers, Senior Political Advisor, Governor Little's Office; Commissioner Tom Katsilometes and Hollie Ann Strang, Gem County Assessor, joined by phone.

Public Session

Chairman McCray called the meeting to order and welcomed all those in attendance.

Recognition of Certificates of Service

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

Mary Durbin, Technical Records Specialist 1, RO/IDO, 5 years; Erica Taggart, Tax Appraiser, Senior, PT/PA, 5 years; David Weddle, Technical Records Specialist 2, PT/PA, 5 years; Kaia Weiss, Financial Specialist, Senior, ADM/MS, 5 years; Derick Thompson, Technical Records Specialist 1, RO/IDO, 5 years; Josh Condrack, Tax Auditor 2, AD/FTRF, 5 years; Kayla Harrold, Tax Compliance Officer 3, CDA/FO, 5 years; Pam McNair, Program Specialist, RO/IDO, 10 years; Eldon Broenneke, Tax Appraiser, Consulting, PT/PA, 10 years; Denise Alexander, Tax Auditor 3, TF/FO, 15 years; Clint Howels, Tax Auditor 3, AD/FTRF, 15 years; Joseph Mendoza, Technical Records Specialist 2, RO/IDO, 15 years; Greg Busmann, Tax Bureau Chief, AD/ITA, 25 years; Steve Thimsen, Software Engineer III, ADM/QAR, 35 years.

Chairman McCray thanked everyone for these 160 combined years of service. It's always great to hear the dedication people have to the Tax Commission.

Business requiring a vote of the Commission.

Minutes: Regular Business Meeting – January 24, 2023

Commissioner Zwygart moved to approve the minutes of the Business Meeting held on January 24, 2023. Commissioner Katsilometes seconded the motion. There was no discussion; all commissioners voted aye, and the minutes of the Business Meeting held January 24, 2023, were approved.

Resolution 23-01: Property Tax Temporary Rule

Kathlynn Ireland, Tax Policy Research Specialist, Property Tax Policy Bureau, presented Resolution 23-01: Property Tax Temporary Rule. Ms. Ireland said this proposed resolution is Temporary Rule 810, in response to House Bill 292 that passed this legislative session. This rule is necessary because House Bill 292 includes administrative functions that require information to be submitted to the counties and to the Property Tax Division. The dates for submission and the types of data that must be submitted per House Bill 292 are not specified in the statutes, so the Property Tax Division is working with all 44 Idaho counties. House Bill 292 made multiple adjustments to the work of the county offices to offer three types of credits to lower property tax bills. The first is exclusively for homeowners, the second is for all taxpayers, and the third is for the quantity of property taxes paid to school districts by taxpayers because the funds for the school districts will be covered by monies from the general fund.

Commissioner Katsilometes thanked Ms. Ireland for presenting this very complex temporary rule and how House Bill 292 is hopefully being resolved through this process. There are multiple complexities to the

implementation of the law. He believes Ms. Ireland has laid things out very well and he compliments her and the staff for the job they've done, and will do over this next year, to implement House Bill 292.

Commissioner Katsilometes moved to approve Resolution 23-01: Property Tax Temporary Rule.

Commissioner Moyle was recognized and opened discussion saying she appreciates the work that has gone into this. She noted that Ms. Ireland is asking the Commission to sign a resolution that is providing guidance, but asked if they can't provide guidance without a temporary rule. Ms. Ireland said they want to use every tool in the toolbox to present as much guidance to the counties as possible. Commissioner Zwygart said he's read through the statute and as he looks at this temporary rule, it seems to be a bridge. Ms. Ireland said the temporary rule is the product of guidance notes that have been shared with the stakeholders. They've been in constant communication, especially with the technical support bureau, on what is required within [HB] 292. The temporary rule is more formal. With all the coming changes – especially with these three new credits for tax relief – this provides an additional level of credibility to have a formal process in place along with the guidance notes.

Commissioner Zwygart asked if there is a mechanism to change the temporary rule to fix it if needed? Ms. Ireland said that ultimately the temporary rule is just a bridge until the next legislative session. Once the legislature reconvenes, this will go before them. It is a bridge because of the effective date of HB 292 (January 1, 2023), and there is so much work to be done in the fall. This bill affects the county treasurers and clerks more than almost everyone else.

Commissioner Zwygart seconded the motion made earlier by Commissioner Katsilometes to accept this temporary rule.

Chairman McCray continued the discussion and opened the floor to the guests for questions or comment. George Brown, Property Tax Division Administrator, was recognized and said he has staff in attendance today who need to leave soon, if the Commission would like to ask them any questions or have them outline some of what they've done with the counties.

Janet James, Property Tax Technical Support Bureau, was recognized and said they've had several meetings with county staff, going over what must happen behind the scenes. Not all the programming is within their control. They want to ensure they're all doing the same thing because it's supposed to be uniform. Chairman McCray asked about Ms. James' understanding of the rule the Commission is being asked to consider, and what Ms. Ireland has presented. Does this address all the needs she's encountered with the county clerks, the treasurers, and her needs to be able to get the job done? Ms. James said it helps tremendously in clarifying what they are expected to do. She doesn't think many understood originally how it would impact them. This temporary rule helps show who is responsible for what.

Chairman McCray recognized Brian Stender, Canyon County Assessor, who said when this law passed, at a very high level, it seemed easy. But as Ms. Ireland has described, to mechanically make this function, there are many challenges. He's in favor of this temporary rule because it will provide clarity and consistency on what everybody needs to be doing.

Commissioner Moyle was recognized and said she isn't opposed to a temporary rule. What she wants everyone to think about, and what she'd like to put out for discussion, is whether we're being too wordy in the temporary rule. The question is whether this temporary rule achieves what we need to do: 1. That we are clearly stating what we want from our stakeholders that will be different, and 2. That it is not repeating statute. Ms. Ireland said there are four sections in this temporary rule; three of which are dedicated to each credit afforded within House Bill 292, and a summary on tax cancellations in the fourth subsection. They do not feel this temporary rule is too long. This is a 20-page bill, and they're trying to be as concise as possible. They're pointing to the statutes, but not repeating statute, only putting it in a concise, mechanical way.

Chairman McCray said he understands the statute goes into effect July 1. He asked when this rule must be accepted. Ms. Ireland said the first day this will affect the Tax Commission will be the 2nd Monday in July. Commissioner Zwygart noted the reason this has been brought today is because of the Business meeting. Chairman McCray said that is true, but the Commission may also call a Special Meeting to consider the rule.

Chairman McCray noted that he is aware Property Tax is a very passionate topic in the state of Idaho and we've made significant changes to the system. He appreciates the work the Property Tax team has done to try and clarify those changes and to provide guidance to the counties and the elected officials in those counties to successfully implement this. He also appreciates the input received. **Chairman McCray moved to table this motion and call a special meeting to allow the Commissioners time to really make sure we have the right words and are following the Governor's zero-based rulemaking wherever possible, to ensure clarity, and to edit, if needed.** This would allow time for review, because they haven't had a chance to present this formally in a public setting until now.

Commissioner Zwygart asked for clarification on the motion and whether a delay in approval of this temporary rule will negatively affect the counties and the taxing districts that need it? There are many things that must be done by July 1, even though that's when the law goes into effect. Commissioner Katsilometes said it's a good question and he agrees. This rule is being proposed to bring everyone into conformity and we're trying to get all the counties to comply with what they need to do for all these different complexities Ms. Ireland has presented. Delaying will cause everyone to lose time in getting this implemented; time is of the essence with these counties and providing them clarity so they know what this law is and how it's to be implemented is the biggest concern and why we should move ahead. If the legislators want to change this, they can. This is a temporary rule from us. Given the complexity of this law, we need to move ahead as fast as we can for the counties because that's our job: support the counties and make sure they know what they need to do so everyone is onboard and headed in the same direction.

Mr. Stender was recognized and said the state Tax Commission has four or five systems they support and by having this temporary rule, everyone has the same target. All the assessors are starting this project. If [the Commission] tables this, it is dangerous. The further out they get the time constraint just keeps growing bigger and bigger. He asked the Commission to please pass this.

Chairman McCray said he appreciates Commissioner Katsilometes' comment and Mr. Stender's comment. However, sometimes we can go faster by slowing down. He isn't suggesting this be tabled until June or July, but he thinks they've had a very short amount of time to review the language. This is the first time public input has been allowed, and he'd like the opportunity to go through the rule and refine the language to ensure everything is correct. We're trying to be as transparent as possible, but he would like time to review.

Commissioner Zwygart said he could accept the motion to table if the chairman can provide a timeframe of when he would like the next meeting, so there's a deadline. He would like to have that stated in the motion so the stakeholders will know when they will have the guidance.

Chairman McCray amended and restated the motion and called for a vote. **The motion before the Commission is to table the temporary rule, to give the Commission time to refine the language, and make sure everything is included, on or before May 17, 2023. Chairman McCray called a roll call vote to Commissioner Katsilometes: No; Commissioner Zwygart: No; Commissioner Moyle: Aye; and the Chairman voted Aye. With a tie vote, the motion fails.**

Chairman McCray stated the **original motion to adopt Resolution 23-01: Property Tax Temporary Rule. Chairman McCray called a roll call vote to Commissioner Katsilometes: Yes; Commissioner Zwygart: No; Commissioner Moyle: Yes; and the Chairman voted No. With a tie vote, the motion fails.**

Chairman McCray asked Ms. Ireland if she can make another presentation in a week or so. Mr. Brown asked Commissioner Moyle that if she has sections she doesn't like and thinks they are an exact duplicate of the law, to please send that the Ms. Ireland.

Commissioner Zwycart asked when the next meeting will occur. Chairman McCray said it will occur on or before May 17, 2023. There was discussion about what will be presented at the next meeting. Mr. Nielson explained that the Commission has resolved nothing; therefore, there is nothing that restrains the Commission from considering the same rule again. Chairman McCray said **the Commission will consider a new temporary rule that the Property Tax Division will present**. It may have some of the same language, but it will be edited and refined.

Administrative Reports

John Bernasconi, Chief Operating Officer

Mr. Bernasconi reported on the budget saying this has been a very successful budget session. We have support from the legislature, from the Joint Finance and Appropriations Committee (JFAC), and from the Governor's office. They've funded \$1.2 million for FAST collection services and \$1.3 million for an imaging system. The employees received an additional \$475,000 to ensure the tax drive seasonal employees are funded and are now a part of the budget. With the Division of Human Resources (DHR) consolidation, there is additional savings of \$135,000. The Tax Human Resources (Tax HR) staff will remain with the Tax Commission; however, they will report to DHR. The Tax Commission also received the support of JFAC and the Governor's office for our change in employee compensation (CEC) plan. The Tax Commission plan was implemented early. We had a multi-phase CEC: the standard CEC, plus the \$475,000 was allocated for all employees.

The Employee Meeting was April 6. This was the first time the entire meeting was employee driven and directed. It was well received. There was an after-action meeting yesterday to discuss what worked and what didn't. He can't wait to see what happens in October. Thanks to Julie Eavenson, Public Information Director, for coordinating the committee.

It is once again time for strategic recalibration. Every year the Commissioners and Leadership teams spend five days together. The first day is spent hearing input from outside stakeholders. The second day is spent going over what was presented the first day and developing general ideas about what needs action. We validate the vision, values, and mission, then the remaining days are spent discussing metrics, action items, and critical success factors. Critical success factors are those things that must be right so we can deliver on our vision, values, and mission.

This year, we are on track with many of the strategic initiatives from last year. We hired an Operational Excellence coordinator, and he congratulated Sharlene Davis on her promotion from Research Analyst Senior to the OE Coordinator position. Mr. Sailor has been collecting training plans from all divisions to create a centralized system to understand what onboarding looks like beyond the Tax HR onboarding process. We continue to work on dashboards to understand our data better. The first set of those dashboards will focus on the taxpayer services unit (TPS) because there is historical data with which to start.

The turnover rate statewide is currently at 12.6%, and the Tax Commission's is 16.7% as of February. The taxpayer services unit (TPS) average call hold times improved from the prior month but are still over the 8-minute goal. The taxpayer access portal (TAP) returns and payments is measured in four areas. The self-cure, where we've sent a letter instructing the user to log in and them responding electronically, is tracked, as well as returns and payments. Every time returns and payments are made through TAP, it decreases the workload of the Revenue Operations Division. There were 71,160 returns and payments during the month of February. It is a great tool and it's expanded to the Property Tax Relief (PTR) so individuals can apply online to increase efficiency.

Chairman McCray said he appreciates Mr. Bernasconi and his team for the work they've accomplished with the CEC. He's had organizations almost double the size of the Tax Commission and the compensation

impacted was about a quarter the complexity of this one. It took a tremendous amount of work and time, and of course he extends his appreciation to the Division of Human Resources and to the Division of Financial Management (DFM) for their support of that plan and for being able to implement it five pay periods early. Given the challenges of hiring and retaining talent, utilizing the personnel dollars in that way was the right thing to do. Mr. Bernasconi recognized that Rhamona Grabenstein, Tax HR Officer, and Lisa Kopke, Financial Executive Officer, spent evenings and weekends working on this plan.

John Bernasconi on behalf of Aaron Yost, Governmental Affairs Officer

Mr. Bernasconi presented the Governmental Affairs report on behalf of Aaron Yost who is attending the Multistate Tax Commission Spring meeting in southern California.

This was the 67th session of the legislature which convened on January 9 and ended, sine die, on April 6: 88 days. Twenty-two percent of the legislative session bills, not counting appropriations, related to the Tax Commission. Thirty-five bills that were passed are currently being reviewed by the administrative statute review committee. That's 35 areas where we may have to make either a system change or a process change. This year it seemed property tax was the focus.

The Income Tax zero-based regulation docket and the single sales factor rules passed and are in the process to be in effect. The Beer and Wine Tax, and Administration and Enforcement rules are also in process. The Governor's office requested we take examples out of Rule and move them to the website. Examples for Income Tax Rules are now in a linkable document on the Tax Commission website at: tax.idaho.gov, under Governance.

Cynthia Adrian, Tax Policy Specialist, conducted webinars in January, February, and March on Tips for Filing Taxes. The Idaho Society of Certified Public Accountants (ISCPA) spring meeting will be June 5 and 6. We look forward to participating again this year. Idaho is hosting the Federation of Tax Administrators (FTA) Nexus training on June 29 and 30. It is a very interesting school focused on statute and how the law affects businesses.

The next scheduled public rules meeting on Property Tax is June 12. The Mine License Tax Rules meeting will occur May 11, and the Idaho Motor Fuels Tax Rules is coming up for review soon.

Philip Johnson is the new Sales Tax Research Specialist. He started on April 7 and transferred from the Tax Audit Division.

Chairman McCray asked those who are a part of the statutory administration committee to conduct a holistic review of the changes and any impacts that may occur. This agency is very good at what they do, and very focused, but the challenge is to get outside that focus a little to ensure we are comprehensively looking at the impact the statute may have. He urged them to look at how external stakeholders may interpret the guidance we're giving, or changes to the forms, or instructions; our communication to people must be clear. Kim Wind, Audit Division Administrator, was recognized to speak and said they are getting more people involved in that committee for the reasons Chairman McCray has stated.

Lisa Palmer, Appeals Manager

Ms. Palmer reported there are Appeals Resolution Meetings scheduled for May 10 at 1:30, and May 31 at 1:30. They have completed their Case Activity Reporting in GenTax project. It was the only one pending. She worked with Isaac Joyner, Audit Business Analyst, and he did a great job. She thanked Ms. Wind for allowing Appeals to share his expertise.

Year to date, Appeals has 270 open cases, and they've closed 110 cases. They still have 10 circuit breaker cases dealing with last year's legislation related to the 150% assessed value protests. They are waiting for

decisions from the Board of Tax Appeals (BTA) on those cases. The average age of cases to get through the Appeals unit is 208 days. They have no vacancies.

Commissioner Zwycart congratulated the Appeals unit for the way the employees handle cases and visit with taxpayers to try to help them. It's a job well done, and he wants her to know that. Chairman McCray commented that 208 days as an average age of cases is concerning. He doesn't want to put a time target on cases because it's quality over quantity, but he encourages them to use the GenTax system to stay on task to reduce the turnaround time. Ms. Palmer said that age is average. The number of cases over 731 – 1,095 days is only 15, which is only 5% of their cases. Some of those are very complex cases that have been around awhile. With the addition of Steve Wynn, (retired Tax Appeals Specialist) working part time to handle some of these complex multi-state cases, and the addition of Meg Inouye, Tax Appeals Specialist, these long-term cases will begin to resolve. Chairman McCray asked if those are driving the number up. Ms. Palmer said yes.

Evan Sailor, Compliance Division Administrator

Mr. Sailor reported that the Compliance Division currently has 23 open development work orders (SQRs). The biggest priority is the reimbursement transactions for compliance. They're trying to get that completed before Luma goes live. The other big project they have is FAST Collection services. They had a kick-off meeting with FAST and are supposed to be able to collect additional tax debt owed without having to create and assign new cases, as part of the self-cure process.

Fiscal year-to-date, they've created 88,809 new collection cases. The good news is that they've closed 99,241. They currently have 49,115 open cases. (They typically fluctuate between 50,000 – 56,000 cases.) Of that, the outstanding balance as of yesterday was \$184.6 million in tax debt. That fluctuates daily. They've recovered, to date, \$174.6 million of tax debt owed to the state. Two of the biggest drivers of that are the individual income tax at \$61 million, and sales and use tax at \$56 million.

Lynn Howard, Training Specialist, is now working with Justine Weaver, Quality Assurance Manager, and they have weekly meetings to discuss discoveries and to be able to resolve issues. Compliance Division has created new checklists for onboarding new employees in the Compliance Division and is working with Human Resources on the critical success factors, and they hope to have a generic checklist out to everyone in the Tax Commission to use and build upon.

Compliance has been helping TPS answer phones for the past two months. Even though it's a hinderance to their caseloads, many people enjoy the opportunity. They also help Revenue Operations as they can to post returns and payments, as well as opening mail addressed to PO Box 36.

They've implemented quarterly Data Driven Analyses of Compliance Statistics (DDACS) which involves him meeting with all the Field Office Managers from around the state to review all the statistics affecting Compliance statewide to help drive decision-making. He's received positive feedback from this process. He said they can educate people about the things they can do to help themselves. Since Compliance no longer has the Phone Power Unit, two weeks ago they began to work on the estimates. In March, they created about 12,500 new cases. When taxpayers fail to file their returns, those are estimated. In March, a notice of deficiency is sent. His thoughts are that they have 2-1/2 – 3 months in which they aren't doing anything active on those cases. He's asked staff to make outbound calls to be proactive. They are now closing more cases by changing the philosophy.

Currently, there are two new Compliance Officer 1s that start in Boise next week. Internal promotions include Kaylea Harrold to Compliance Officer 3, and she'll be taking on supervisory responsibilities over Compliance Officer 1s in the Coeur d'Alene office. Alicia Montgomery started as a Compliance Officer 1 in the Twin Falls office, and she was promoted to Compliance Officer 2. Holly Heinrich was promoted from Program Specialist to Compliance Officer 3 in the Boise office. Jeremiah Edwards was promoted from Compliance Officer 1 to a Program Specialist. The Program Specialists supervise and train Compliance Officer 1s. Harmoni Rampton was promoted from Technical Records Specialist 1 to a Compliance Officer 1.

Chairman McCray thanked Mr. Sailor and his team for supporting TPS on the phones. He knows that's an opportunity for us, and they've been laser-focused on it during the strategy work. He appreciates everyone stepping in and helping to reduce the call wait times and to field those calls. He complimented Mr. Sailor on the proactive measures. He was going to compliment Revenue Operations for their efforts to get on the phone and eliminate paperwork and Compliance is doing it also. Anything we can do to be on the front end and have outreach to the citizens is great. He appreciates that attitude. Commissioner Katsilometes also complimented Mr. Sailor for helping TPS with the phone calls. That's something he monitors and he's glad to see them helping.

George Brown, Property Tax Division Administrator

Mr. Brown provided the report for the Property Tax Division and for Julie Eavenson, Public Information Officer, in her absence.

In Property Tax, the Technical Support Bureau (TSB) has been deep into programming for House Bill 292. He explained the process. The Tax Commission is required to provide the property tax software to the counties. Counties don't have to use it, but we must provide it. The TSB must change the program every time there's a legislative change to how values are calculated or levy rates; anything associated with property tax must be programmed into those systems because it's all systemic, they don't do it all by hand. Janet James manages three of those systems directly, which is about 35 counties. The rest of the counties have their own systems. They have either a third-party system, or a "home grown" system. The Tax Commission must still interface with those. Most of the programming for those is done by the Tax Commission. House Bill 292 is very complicated for Ms. James' team.

Everyone in his Division has been working on House Bill 292 since the legislative session ended. They've also completed a tremendous amount of training this year. Ms. Ireland noted earlier that there are over 700 registrants for Budget and Levy training which is more than twice as much as they've ever had. Mr. Brown and Matt Virgil, Consulting Appraiser Supervisor, provided eight Board of Equalization trainings for new county commissioners and staffs about how to run a board of equalization. They had unprecedented attendance at those trainings. Mr. Brown has provided the Commissioners a list of all the training the Property Tax Division has been doing this year.

Mr. Brown expressed concern about his Geographic Information Systems (GIS) Team. He has four positions. As of April 24, he has one person still on probation and one who started last week. That's a problem for them and he doesn't know what to do. They need to figure it out before budget and levy season begins. He's hoping to hire an internal applicant to be a supervisor for that team.

All appraiser positions are filled now, both Consulting Appraisers and Operating Property Appraisers. That's the first time since he's been with the Tax Commission – 12 years – this has happened. For the most part, they don't have a major staffing issue in Property Tax.

Commissioner Zwygart thanked Mr. Brown for all the hard work they did on the temporary rule that was presented today. It made him glad he's in sales tax. Mr. Bernasconi commented that Ms. Ireland just sent an email to 165 recipients seeking input on the Property Tax Temporary Rule. That's how quickly Mr. Brown's team responds to direction from this team. Commissioner Moyle said there is nothing to prevent the Tax Commission from providing guidance, which has already been distributed. It happens quickly, so even if nothing happens on this temporary rule, the guidance is out there with what is needed from the counties.

George Brown on behalf of Julie Eavenson, Public Information Director

Mr. Brown presented the Communications report on behalf of Julie Eavenson who is currently away from the office. He said he will rely on Ms. Eavenson's team, in attendance today, to respond to questions. Mr. Brown said there is an upcoming survey that will be released in May. It will focus on whether employees believe Leadership has made progress on the objectives of the communication strategy set forth earlier. They will host

focus groups to discuss survey responses and ask people to provide input on how to fix what they see as issues, or what new things they see that can be improved. Those things will then become objectives in the following year. The survey and focus groups are planned for mid- to late May.

Some accomplishments include that Steve Taylor, Training Specialist, and Gordon Myers, Taxpayer Services Manager, created a webinar for Native Americans. Mr. Myers was recognized to expand, saying they received a call from a Tribe saying tribal members were confused about the sales tax rules dealing with sales on or off reservations and asked for a short webinar to help them understand their responsibilities. All four of the major tribes in Idaho participated. There were many good questions, and great feedback. Mr. Brown said this is great inter-governmental cooperation. Taxpayer Services has a vacancy and is interviewing another candidate this week. They've hired Troy Baker, Call Center Manager, who is here today.

The Commissioners and Leadership Team thanked everyone involved with the Employee Meeting. There were many positive comments about this employee meeting. The committee members were George Brown, April Johnson, Xiaonan (Shawna) Zhou, Steve Fanelli, Jena Hansen, Holly Heinrich, Kim Trinh, and Zak Viker. This committee initially came up with the plan and encouraged people to participate. Mr. Brown recognized Renee Eymann, Cristi Schooley, Jessica Surline, and especially Steve Taylor. Mr. Taylor put everything together and Mr. Brown wanted to recognize the tremendous amount of work he did to make this a success.

Chairman McCray asked about the callback feature, and if we have data suggesting whether it is making an impact. Mr. Myers said data is available and, from what he is seeing, they are answering twice as many calls through the callback feature than through regular calls. Based on percentages, it's been very successful. Chairman McCray noted year over year statistics seem to indicate that the dropped calls number is going down and he is hoping that is also a result of the callback feature. That is an improvement to our process. He also thanked the Employee Meeting Committee because our goal is to make those meetings valuable to the people attending. The Commissioners are happy to participate whenever and however staff want to receive their information. He thanked them for the extra time and effort to put that together and for making it work.

Chairman McCray recognized Troy Baker, as the new Call Center Manager saying he has call center experience, and we are excited to have the external knowledge to help us make sure our communication with taxpayers, primarily through the phone, but also through other types of communications, is productive. We want to leverage that experience and knowledge to continuously improve our processes. He also pointed out that we've increased staffing by transferring some people from other areas to help with the volume of calls, which also addresses the wait time and the time it takes to answer the calls.

Rick Mascall, Revenue Operations Division Administrator

Mr. Mascall reported that the report he provided the Commissioners was compiled on April 15. The numbers have increased and as of last Saturday, Income Tax Returns, were up to about 848,000, an increase of about 120,000 and Business Income Tax went to about 63,000, up about 10,000. That isn't considering what they've processed this week.

The refunds are up about 50,000 more than the 379,000 that was reported last week. The dollars went up to about \$250 million, or about \$45,000 more. He also pointed out that Idaho Business Registrations have increased during the first quarter: it is 15% higher than it was last year at this time. Withholding permits and sales permits increased 2% over that same time. Over two years, these have increased by 30% and 38%, respectively. There is a big increase in the number of accounts.

Mr. Mascall said they've been focused on their people, processes, and systems to improve the service they're providing. In the Income Tax area, they've significantly decreased the number of days to process refunds. That has been through what they're doing with their people and the improvements to the system. He discussed the items they work saying the reason they can now work more items is because they have so many more people that can do it. About a year and a half ago, they changed the model in Revenue Operations. Now, when there is a

backlog, they can move the backlog to the people that can work it. They're seeing some of the advantages of that now. In the Business section, they only have about four people. That is historically all that would work on Business Returns. This last quarter, they were able to put more than 20 people on those backlogs. Letters have also decreased significantly, from 21% to 4.7%, a drop of 16%.

The edits for returns this year is at about 7.1% today. This is for electronic filings, not paper filings. Electronic filings are the biggest income tax filing and 7.1% is a significant dip from where it was at 9.8%. This is also helping to move things along faster.

The permit processing has also improved. First Business Registrations has seen the biggest change. This year, they are processing first business registrations within seven days. They've maintained that goal except for a couple of weeks. They have a goal to process Sales and Use Tax Returns within 25 days. They're still moving on that, and he discusses it regularly during strategy. Most returns are processing quickly, but it's duplicating for those who amend returns. The duplications with the current volumes have caused slowdowns. Additionally, there is a 30% increase in the volume.

In Withholding, they see the biggest success for both the people and the system. He references the "910 Project" in his report. A form 910 is the monthly (or quarterly) withholding return. The 910 Project showed there were multiple errors on the withholding returns related to the period date. The period date was based on a service provider's payroll period. The team programmed the system to look at those systematically and determine whether it was a monthly filing and then place the end of month date in the correct field. That removed a significant amount of the backlog. They are still receiving returns that don't have account numbers. Revenue Operations sent letters last month, including instructions, and asked all service providers to include account numbers and not send returns with "applied for" or blank fields. Providers have until May 1 to comply. Paper returns from the service provider often arrive with zero due on them; then either the client or the service provider makes an electronic payment, then those duplicate and clog the system. His team continues to work with the service providers.

They've been working hard on the process for end-of-year summaries of 967s (Form 967 is the annual withholding report) because it wasn't working well. They've collaborated with Audit on some ways to streamline that process, so they aren't duplicating work. They've increased the number they can process per hour. There is still work to do, but they're making progress.

Initial Data Operations is the unit that receives and processes all the mail. They were caught up by April 18th, but they were only able to do that with the help of Audit and Compliance. He appreciates it because it was critical to get the backlogs caught up and be ready for Tax Season. He also recognized that there are many new people in Initial Data Operations. They've implemented controls to ensure dates of receipt are correctly reflected. They also have supervisors spot-checking scan batches before they are released to alleviate some of the received date errors they have seen recently.

Kayla Osterhout, Program Supervisor, and Tarra Harris, Central Processing Bureau Chief, have done a great job building out the training that is a 3-phase process involving classroom training, test environment, and then coaching with a subject matter expert. That is a 6- to 8-week Academy that has been very successful. It's helped get people up to speed on the basics quickly and he is very happy with it. It has also helped with some of the backlogs because the training was designed to work through production during that 6 – 8 weeks.

There is a second level of training they've just begun which is on-the-job, wherein the supervisor provides one-on-one training about the areas to which they have been assigned. The Tier 2 is meant to help them understand their specific areas and is individualized by the supervisors. There is a quality control component in each supervisor's group and the supervisor will complete a weekly quality control report of the work performed by each processor, then quickly fix errors.

Revenue Operations has benefited from about one year of good retention and he attributes that to some of the recognition things they've implemented, like what Tax HR has done with the "Kudos" project. The RO team has comment boxes located around the division for people to leave comments and it's been helpful. Tax HR has been helping to advertise positions. They currently have two Technical Records Specialist (TRS) 2 positions and one TRS 1 position open. They've already been interviewing for the TRS 1 position, and the TRS 2 positions have been announced.

Retention isn't great in Information Technology (Tax IT). There are only two senior Tax IT people and everyone else is new. This means they don't have the capacity to work on anything other than necessary projects. They will do what they must to get the income tax system ready and to fix those things that are broken. Their remaining time will be spent with the FAST Collection Services (FCS) and the imaging projects, which will take up a great deal of time, as well as the Property Tax Reduction (PTR) project.

Customer service has been focused on calling customers instead of just sending a letter. This helps to get information quickly and in a more personal way. They are now conducting phone etiquette training; one staff member resigned because they were uncomfortable making those calls. They had hoped to have 60 seasonal staff this year and hired 57; 26 of those 57 are returning staff members. The returning staff's scope has been redesigned, too. Previously they were assigned a specific type of edit; however, he recognized they already know how to do the job, so they've been assigned to process returns, since many were previously employed at the Tax Commission. The seasonal employee hours are down to about 1,400 hours per week because many seasonal staff only want to work part-time. In 2019, the hours were approximately 1,950 hours per week.

Laura Lantz, Executive Director of the Idaho Society of Certified Public Accountants, was recognized and asked if all timely filed 2021 business returns are complete. Mr. Mascall said he'll look, but if they aren't processed, it's because we're waiting for something. They've all been touched by someone, and he doesn't believe there are many remaining.

Chairman McCray commented on the staff member who left due to being uncomfortable making phone calls. He believes that is a great example of why we're doing the Operational Excellence work: to be able to provide guidance for positions to ensure they receive proper training for what we're asking them to do and to be comfortable doing the job we need them to do. He appreciates the work their team is doing with training and making sure new people, and the people being asked to do other tasks, receive the proper skills to be successful. That's going to be a huge factor for retention: if they're uncomfortable doing the job, they are less likely to stay. He also recognized the customer service in Revenue Operations. Anytime we can have a positive customer touchpoint, reduce paper, reduce postage, and don't have the notice arrive in the mail from the Tax Commission, he thinks that's a benefit to everyone. He thanked Mr. Mascall for taking the lead with that. He also recognized the number of days to process refunds down from 25 to 12. This is a direct result of the work they're doing to get people trained in those areas to be able to flow to the work, improving the process. We want to get people's money back to them as quickly and accurately as possible.

Kim Wind, Audit Division Administrator

Ms. Wind said her report covers data through March 31. Audit currently has 49 development work orders (SQRs). Last year at this time, they had 90 open SQRs. She attributes this decrease to the annual plan and the focus it has allowed. Individual and Business discoveries in Income Tax Audit are currently working in tax year 2020 and the non-filer discoveries are working in 2016, moving into 2017. Idaho was hit hard with fraudulent returns this year. She recognized the Audit Fraud Team and the FAST product FIVS (FAST Identity Verification System): The fake W2 scheme is at 91% for refund requests totaling \$28.1 million. They did a good job identifying those and not letting them go out the door. The other top scheme, at 6.8%, was the fake 1099-Rs. The estimated payments, even though a lower percentage, happened a little more frequently this year. This is when individuals claim a refund for payments that don't exist. The system is constantly improving, and she thanked that team.

Ms. Wind is excited that criminal cases are moving along. Because of Covid, things took a little longer, but cases are now moving through the court system, and the Fraud unit is fully staffed. There is a new investigator who is now trained, and they are traveling to meet with prosecutors and conduct interviews. Recently, there were press releases announcing cases involving false Schedule Cs, filing a false return, and a few embezzlement cases. Canyon County recently had a case of elder abuse, filing false returns.

Audit closed 12,782 audits last year and 11,784 audits this year. She reported that even though they conducted fewer audits, the recoveries were higher; however, the system she uses for the reports of recoveries, deficiencies, and audit counts has been down for the past couple of months. They are working with FAST to ensure they have the right numbers.

Audit continues to help the Taxpayer Services Unit with phone calls and Revenue Operations with opening mail. Tax Discovery Bureau (TDB) is working with FAST on getting their working papers into Gen Tax and that is now in testing. When opening audits, they try to ensure there is something there first. A “no change” occurs when an audit is opened and there is no new information, so the case is closed. They’re trying not to do that, so the taxpayers don’t have to go through that process. During the first quarter of 2023, compared to the first quarter 2022, those audits are down 26%. They’re trying to make sure they are more efficient when doing their audit selection.

The Sales Tax Audit division, through coordination with Compliance division, have been working with amusement device tags (ADT) updating procedures. Compliance went out and looked at tags and have been helping those businesses bring their stamps current.

Income Tax Audit (ITA) auditors successfully met their first quarter points challenge. Amber Ortiz, Tax Audit Manager, Multistate Tax, is coordinating the Multistate Tax Commission (MTC) Nexus training. It’s extensive but she’s been working well with the MTC. The Management Automated System (MAS) team has been working on the SQRs bringing the total from 90 to 49 and Ms. Wind recognized Scott Baker, Tim Clark, Deanna Messenger, and Isaac Joyner for their work. The international monetary fund (IMF) project went live in January. All-Audit training will occur on May 8. This is an extensive training that they haven’t been able to do since before Covid. All Auditors are coming to Boise and will participate in many technical classes that have been missing.

Currently, Audit has 13 vacancies. She hopes the new starting wage will help. There were several promotions. Jen Igo, Human Resources Business Partner, has posted continuously for this Division and is doing a great job. Doug Harrie is retiring after 35 years, as is Celinda Manweller.

Lisa Kopke, Financial Executive Officer, Management Services

Ms. Kopke reported on progress in the Idaho Falls Field Office move project. She thanked the Division of Public Works (DPW) for their efforts. They will be presenting our project to the Permanent Building Fund Advisory Council (PBF-AC) and taking the plans through the Idaho Department of Professional Licenses (IDOPL) approval process so construction can begin.

The rebates projects 1, 2, and 3 are ending. As of March 31, the balance in the rebate fund was \$143.12 million. March month-end was successful with distributions and accruals to the general fund totaling \$326 million. Fiscal year to date distributions and accruals to the general fund totaled \$3.8 billion. Regarding appropriation and expenditures, 74% of the personnel budget is expended as of March 31; 73.7% of the operating budget is expended; and 76% of the capital budget is expended. Everything is on track for the remainder of the fiscal year.

Ms. Kopke thanked the Commissioners and Operational Leaders for their recent donations to the Employee Committee. In March, for employee appreciation, leaders served and funded a potato bar and a special luncheon in all the Field Offices to celebrate all the hard work our employees have been doing. The turnout was

great, and she thinks the employees appreciated it. The Events Steering Committee is currently planning the annual summer picnic that will be held on June 14. Our second annual family day will be held sometime in July.

They are busy preparing to go live with the new Luma system on July 1 for the finance and procurement piece. They are coordinating with Ms. Eavenson and Ms. Eymann in the Taxpayer Resource Unit to get correspondence and communication out to staff about agency-wide training and what to expect within the next couple of months for the transition. Management Services had an internal promotion which created one vacancy, so they will announce that position soon.

Rhamona Grabenstein, Human Resource Officer

Ms. Grabenstein thanked everyone for the great work they do despite the high turnover rate. Mr. Bernasconi reported the numbers earlier, and she ran the report again as of April 19, and the fiscal year to date Tax Commission turnover rate was 17.8%, the states was 14.1%. Even in just the short time between when Mr. Bernasconi looked at the report and when she pulled it last week, it had increased. The three top reasons for the increase are retirements, transfers to other state agencies, and for personal reasons. Retirements are good; leaving for other state agencies is more difficult because generally, they're going for more money. She's very happy for all the efforts they were able to make in the CEC plan, which is approved by DHR and DFM. They targeted over 30 positions within the agency to start at a higher rate than we've ever been able to start before. The new minimum went to 75% of the policy rate. The target is to get those positions to 80% of policy to hopefully retain both existing employees and attract new employees. As of April 20, there are 32 vacant positions, and all are in active recruitment.

Tax HR continues to market the Tax Commission by attending job fairs with any leaders that can attend. On April 12, they went to a part-time summer workers-focused job fair at BSU and on April 20, they attended a STEM job fair. At each one, they ensure people are aware of internship opportunities. An intern will start in Tax IT as a direct result of that effort, and there will be another starting soon. Tax HR is offering internships and full-time positions; anything they can do to help alleviate the pressure. She met with Idaho Press on Friday and we're getting great response, but unfortunately, that partnership isn't leading to greater eligible applicant lists. People are stopping and looking at the announcements, but not applying. The team is looking at how the positions are presented in the posts, and they'll continue to market the great benefits the state offers.

The Tax Commission is hosting the DHR monthly recruitment meeting in June. DHR has been holding these meetings monthly to share best practices, so people don't have to recreate the wheel when they're advertising. Stephanie Elliot, Tax HR Business Partner is representing the Tax Commission in recruitment for DHR, but also in the Learning and Development module in Luma. In the recruitment efforts, she's been keeping them apprised of upcoming changes. The last opportunity to post jobs in the current system, NeoGov, is June 18. The contract with NeoGov will end on July 31. They will then transition to the new platform. Along with the Luma changes, every single person on the Tax HR team has volunteered to be a part of something, and George Menendez, Human Resource Business Partner, has been selected to be a "super-user" in Luma. He is going through additional training to help the Tax Commission and other HR personnel throughout the state. Cecilia Morales, Human Resource Specialist, is helping with the Workforce Management module, which is the timekeeping side of Luma. As part of the DHR consolidation, Jen Igo, Human Resource Business Partner, is helping with infrastructure things so HR people can communicate better through resource and information sharing through Share Point.

The Luma training started, and while inconsistent to date, they are working to get things more streamlined. Training is happening and they're clarifying more. There are significant cut-off dates due to the transition. All legacy systems entries must be in and approved by June 1. There is then a freeze on everything. They won't be able to enter anything into Luma until June 20. If there are issues, or emergency hires, they will work on those individually on a case-by-case basis. In order to transition everything from the current systems into Luma, they've built out multiple workbooks with the current positions and the naming conventions. Those are due

by both HR and Finance on May 12. Any organizational changes after that must be updated by the State Controller's Office (SCO) Luma Team. She recommends that be very limited.

DHR hosted a meeting with all state Human Resource Officers and Korn Ferry (organizational consulting firm) to present a new digital tool that will help them take the responsibilities of a job and find success profiles that Korn Ferry has already mapped in their system and already meets the same responsibilities to better classify positions into appropriate pay grades within the state. Part of the tool is a job description module. It just takes as the key responsibilities and creates a consistent job description format that everyone in the state will be able to use.

Other items of interest include that Stephanie Elliot created an HR Activities calendar on Tax HR Central so everyone can find things happening, like Open Enrollment, which started April 24 and runs through May 12. They also, by the end of the week, should have communication out on the career mentorship program. Jen Igo has been working on training that will be provided to the mentors. The program is truly focused on career paths and growing current employees into future leaders of the Tax Commission. The Certified Public Manager (CPM) participants are scheduled to graduate in June. This is a two-year program and the Tax Commission had 10 people initially, but one left for another agency, so currently, there are nine Tax Commission employees in the program. They also launched the Kudos program. There is a quick link on the Tax HR Central Share Point page. It is a quick and easy form to fill in and since it launched on April 25, there have been 62 certificates sent. Leaders were looking for a way to recognize employees and it's tied directly to the Mission, Vision, and Values.

The employee engagement scores are the last item. The state ran its first ever engagement survey using a company called Qualtrics and another intermediary. The state Tax Commission ranked 59% engaged, which is phenomenal, according to her colleagues. She's prouder of the Tax Commission's Gallup survey results though because that is one we've run year-over-year. Between the time we ran the last one in 2021, until we ran it 2023, we increased our percentage of engaged employees from 32% engaged to 38% engaged. Gallup says that is not normally seen. We also moved the actively disengaged percentage from 22% down to 14%, which is amazing. This is directly related to the leaders and all the supervisors and employees recognizing that it takes everyone to be engaged.

Chairman McCray asked if 32 openings is the smallest number of vacancies since he's been here. Ms. Grabenstein said it may be. Chairman McCray said he appreciates the pain everyone is feeling but he appreciates the herculean effort the Tax HR team has put forward to get those positions filled. He knows the amount of effort they've been doing to recruit, train, and onboard people. Mr. Bernasconi said he believes the vacancies have been over 40 for the last year. Chairman McCray thanked Ms. Grabenstein's team for the development of the Kudos program and for tying those to the critical success factors. It is critical that the work we do is tied to our strategy and our vision and mission. This will help articulate and communicate what is important at the Tax Commission and what success looks like.

Finally, he wanted to highlight the comments about the Gallup survey. He's been involved with the Gallup program for 10 years in his prior career and now, for the last 2-1/2 years at the Tax Commission. To have 6% movement in one year's time is phenomenal. He appreciates that Gallup acknowledged that, as well. It reinforces the work the Leadership Team has been doing in utilizing the team members within the Commission as far as the Employee Meeting teams, the Employee Engagement teams, and getting input from everyone is making an impact. Anecdotally, he's received positive comments about the communication plan, that it's improving, and people feel good about that. We need to celebrate moving the engaged up 6% and moving the actively disengaged down by 8%. Well done to the whole group.

Reports on Rules Committees

There is no Rules Committee report.

Other Business/Public Comment

There was no other business, nor public comment.

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. Chairman McCray conducted a roll call vote: Commissioner Katsilometes, Commissioner Zwycart, Commissioner Moyle, 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 returned to regular session. He noted the next scheduled Tax Commission business meeting will be July 25, 2023, at 9:00 a.m. A special meeting will be scheduled as soon as reasonably possible to address the property tax rules proposal. There being no further business, Chairman McCray adjourned the meeting.

Maria Young, Secretary

Jeff McCray, Chairman