

IDAHO STATE TAX COMMISSION

COMMISSIONERS' OPEN MEETING MINUTES OF MEETING OCTOBER 11, 2017

In attendance: Commissioners Ken A. Roberts, Tom Katsilometes, and Elliot S. Werk, Mark Poppler, Kathy Osborn, Debbie Coulson, Steve Fiscus, Michael Chakarun, Randy Tilley, Cynthia Adrian, Tom Shaner, Renee Eymann, Leah Parsons, Don Williams, Sherry Briscoe, Chuck Pond, Chris Barry, Glenda Smith, Alan Dornfest, Rod Brevig, George Brown, Phil Skinner, Erick Shaner, David Young, Nathan Nielson, Elisa Magnuson, Becky Ihli, and Kelly Martinez.

Guests: ISCPA Executive Director Laura Lantz

Public Session

Commissioner Ken A. Roberts convened the open meeting and welcomed all those in attendance.

Presentation of Certificates of Service

Kathy Osborn, Senior Human Resource Specialist, acknowledged the employees receiving a Certificate of Service. Ms. Osborn stated how much their combined total of 130 years of state service is appreciated. The Certificate of Service recipients in attendance were: Christie Livermore, Tax Auditor 3, Tax Discovery Bureau – 5 years; Roberta (Bertie) Vogelpohl, Technical Records Specialist 1, Taxpayer Accounting – 10 years; and Donald (Don) Curtis, Tax Audit Manager, Sales Tax Audit – 10 years.

The Certificate of Service recipients not in attendance were: Salina Simpson, Tax Compliance Officer 2, Coeur d'Alene Field Office – 10 years; Eileen Pryor, IT Database Analyst, Senior, IT Applications – 20 years; Layne Hadlock, Tax Audit Manager, Individual Income Tax Audit – 20 years; Georgia Ross, Technical Records Specialist 1, Resource Team – 25 years; and Michael (Mike) Tobias, Field Office Manager, Idaho Falls 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 – September 13, 2017

Commissioner Werk moved to approve the minutes of the open meeting held on September 13, 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 September 13, 2017 were approved.

Resolution No. 17-10 – 2018 Stumpage Values

Rod Brevig presented Resolution 17-10 to adopt 2018 stumpage values as recommended by the Forest Tax Administrator and published on the instructions for the Commission's Form FT-102. Mr. Brevig said there are no stakeholders present at today's meeting and based on the data

we can conclude that this is in line with what people expected. Mr. Brevig reviewed the stumpage value comparison from 2017 to 2018 as well as the stumpage values of private versus Idaho Department of Lands. Commissioner Katsilometes moved to approve Resolution 17-10 adopting 2018 stumpage values, and Commissioner Werk seconded the motion. All voted in the affirmative and Resolution 17-10 was adopted.

Administrative Policy Memorandum No. 18-03

Chuck Pond presented Administrative Policy Memorandum No. 18-03 regarding Confidentiality and Employee Access to Tax Records and Information. Mr. Pond said the Social Security Administration audited the Tax Commission in September. He said they found a couple of small items to be improved and this memorandum is a byproduct of that. Section G was updated to include “or social security information (SSI)” rather than just federal tax information (FTI) which is what we call the IRS data. Mr. Pond said Section I was also added just to remind employees that we also have to be recognizant and safeguard employee personal information as well. Commissioner Katsilometes moved to approve Administrative Policy Memorandum 18-03 and Commissioner Werk seconded the motion. All voted in the affirmative and Administrative Policy Memorandum 18-03 was adopted.

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

Administrative Reports

Collection, Debbie Coulson

Debbie Coulson said she did not have an administrative report but did want to mention the incident at the Kansas Department of Revenue where a revenue agent was shot and injured. Ms. Coulson is reaching out to Kansas to get more details and wanted to make everyone aware she is working closely with the Commissioners to review our safety and security procedures.

Public Information, Taxpayer Resources, Renee Eymann

Renee Eymann, Public Information Officer, reported that in November, Public Information Director Doreen Warren and the Commissioners will hold a series of meetings with legislators across the state to discuss issues that are important to the legislators and their constituents. These meetings will cover how federal income tax changes may impact Idaho’s general fund, sales tax issues, developing a customer service culture at the Tax Commission, and how we can best serve legislators and their constituents. These meetings will be coordinated with the Idaho Transportation Department and Idaho Fish and Game.

Revenue Operations, Chris Barry

Chris Barry, Tax Central Processing Bureau Chief, reported that returns, remittances and refunds are still rolling through. They have received 816,000 Individual Income Tax returns this year and 82% of those filed electronically. They have also received 92,000 Business Income Tax returns with 66,000 of those filed electronically. Mr. Barry said the Tax Commission has issued \$323,165,242.62 in refunds. There are three temporary employees on board as there is a due date next week. He said they are expecting about 25,000 returns Monday morning. Commissioner Werk asked if things have been tracking as Mr. Barry had anticipated. Mr. Barry said yes, they are within 323 returns overall for what was anticipated for the year. Numbers are up 1.4% this year which is a little less than Mr. Barry said they anticipated so they have adjusted accordingly.

Management Services, Mark Poppler

Mark Poppler reported the state forecast has been issued for September and all three months this fiscal year have exceeded the forecast of the state economist. September exceeded the forecast by \$11.3 million in the general fund and on a year to date basis the general fund is \$29.4 million above the state forecast. Mr. Poppler said the new 1% of the sales tax that goes to the Transportation Congestion Mitigation fund has amounted to almost \$4.2 million over the last three months. The oil and gas is rather surprising because through the first quarter we are actually down about 20% on oil and gas revenue for the state. Mr. Poppler said we don't know if that is price or volume related but it is interesting.

The Version 10 conversion is still on target, it is about one month away from implementation. This is a very intense week of testing and if everything goes well, we will be able to stick with the current target date.

Mr. Poppler mentioned there is an employee event at the end of the month, the progressive lunch and costume contest will be on October 31. The lunch is paid for out of the employee events fund from donations into that fund; there are not fundraisers for this event.

Tax Appeals Manager, Michael Chakarun

Michael Chakarun gave an update on appeals cases for the first quarter of Fiscal Year 2018, which does not include the cases in the legal department. They began with 425 cases averaging 385 days and ended the quarter with 357 cases averaging 380 days. Of the 357 cases they have, they have sent decisions out on 90 cases which will stay on the inventory count until the taxpayer final appeal rights expire which is a 91 day window. The average age on those 90 cases was 422 days. Mr. Chakarun said they have 267 cases they are still working actively and those have an average age of 366 days. There are six active cases that are being handled by the Appeals Specialists at the Board of Tax Appeals.

Mr. Poppler asked if the average dollar amounts of appeals cases are tracked and Mr. Chakarun said the dollar amount is not tracked. He said they try not to focus on the dollar amount because each case is important to that particular taxpayer regardless of dollar amount. Chairman Roberts said we were successful getting some support from the legislature to help deal with some of the backlog of appealed cases and we have made a lot of progress on that. The overall goal is to try to get a thorough timely response back to taxpayers as soon as practical.

Audit Division, Randy Tilley

Randy Tilley reported that they have stopped 303 fraudulent returns with a total value of \$517,177. Last year we stopped 497 returns with a value of \$764,863, so confirmed fraud and identification theft are down from last year. Mr. Tilley said they have sent out 30,000 letters and they have received almost 28,000 responses from taxpayers. This last week 89 letters were sent out as a result of the fall tax drive picking up. Chairman Roberts said it is important to point out that one of the reasons that is down is because the states have done a lot of analytics and work to prevent fraudulent refunds going out. He said it doesn't mean the problem has gone away and we need to continue to educate taxpayers and those who prepare tax returns. Mr. Tilley said there are 5,747 refunds that are waiting for responses to verify identity before we send the money out. There are also 3,567 refunds waiting to be verified from tax year 2016. Commissioner Werk mentioned that Audit and Revenue Operations have been working very hard to identify duplicative work and to create efficiencies.

Mr. Tilley said he is often asked if we prosecute fraud when we find it. He said it is very difficult because many of the instances are coming from out of state parties, but we do prosecute fraud. Mr. Tilley mentioned several cases that have resulted in a conviction or are in progress currently. In addition, Mr. Tilley reported that for the month of September they closed out 1,450 audits and the top three issues were CP2000's which are federal adjustments; individual non-filer cases; and use tax on real property improvements.

Property Tax Division Administrator, County Support, Steve Fiscus

Steve Fiscus reported that Alan Dornfest compiles a tax burden study annually and this year's study reflected a significant change in the rankings showing Alaska slipping downwards dramatically. Mr. Dornfest contacted the state of Alaska to see if it was an anomaly. The information was determined to be correct because of a large decrease in their tax revenue from natural resources. Mr. Fiscus said we are going to see some shifting in tax rankings, and the report has been released to the Commissioners in draft form. Mr. Dornfest said we are looking at a release date later this month on the website.

Mr. Fiscus said we have 16 taxing districts that have failed to provide the Legislative Services Office with the necessary document for the registry that is required annually for their budget. There are a few more days for compliance for these districts, but if in fact the district doesn't comply then their budget will be frozen at last year's levy and they also won't be able to accrue any forgone money. Mr. Fiscus said revenue sharing from sales tax would also be withheld until the district complies. Once the district complies the money will be released to them.

Mr. Fiscus reported that the most recent summer school held in July was well attended with 27 classes offered and 364 student seats filled for the week. He said they have provided 67 regional classes over the past five years.

Mr. Fiscus said there is still one county out of compliance for the five-year appraisal numbers and they have filed a remediation plan with us. Commissioner Katsilometes will send a letter to the County prior to October 15, acknowledging we have received their plan. Mr. Fiscus said he and Chairman Roberts will be presenting to the Idaho Grain Producers this month and will discuss how ag values are calculated.

There were no more administrative reports.

Reports on Rules Committees

Property Tax Rules – Committee Chair, Alan Dornfest

Alan Dornfest, Property Tax Rules Committee Chair, reported that they did not hold a committee meeting in September or October, but the intent is to have one in early November. He said the reason for the meeting will be to consider possible changes to two rules that were already published in proposed form. There was a recommendation to bring these back to consider a couple of changes. The first change we are considering would be with regard to Rule 631, which deals with the NN exemption. The area that seems to be a bit disputed now has to do with leased personal property so there may be a clarification needed. Mr. Dornfest said the second change being considered is regarding Rule 803, which deals with the budget and levy processing ability of taxing districts to disclaim a forgone amount. We defined the increase based on legislative intent to be last year versus this year. Kootenai County objected to that and said they want to look going forward instead of backward. Mr. Dornfest said they may have a point and we can consider changing the language in the rule. Mr. Dornfest said these would be staff recommendations regarding the pending rules and he feels more comfortable bringing these up for discussion at the Property Tax Rules Committee meeting. These changes may be considered at an open meeting on November 20 as they have to be to the Department of Administration no later than November 24 but cannot have the rules meeting until the comment period has closed.

Income Tax Rules – Committee Chair, Cynthia Adrian

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

Product Tax Rules – Committee Chair, Don Williams

Don Williams, Product Tax Rule Committee Chair, had no report.

Sales and Use Tax Rules – Committee Chair, Leah Parsons

Leah Parsons, Sales and Use Tax Rules Committee Chair, had no report.

There were no more rules committee reports.

Other Business

Commissioner Werk said there was an article on Tax Insider about five Tax Commission employees approved for the Certified Public Manager program. That is a very high rate of acceptance and the Commissioners extended their congratulations to Meg Inouye, Kevin Jones, Amber Ortiz, Lisa Schroeder, and Christine Valerio.

Public Comments

Commissioner Roberts asked if the guests in attendance had any comments. Ms. Lantz said the state tax update is beginning next week and she thanked those who are helping with that. She said she will be at the IACPA Fall Council Meetings; the Boise meeting is on October 27 at the Oxford Suites.

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, 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 Werk moved to adjourn the meeting and Commissioner Katsilometes seconded the motion. All voted in the affirmative and the meeting adjourned.

Kelly Martinez

Ken A. Roberts