

IDAHO STATE TAX COMMISSION

COMMISSIONERS' BUSINESS MEETING MINUTES OF MEETING OCTOBER 5, 2021

This meeting was open to the public; however, everyone was encouraged to attend by telephone

In attendance: Chairman Jeff McCray and Commissioners Janet Moyle, Tom Katsilometes, and Jared Zwygart; John Bernasconi, Debbie Coulson, Evan Sailor, Kim Wind, Rick Mascall, George Brown, Phil Skinner, Tom Shaner, Rod Brevig, Eric Mahler, and Laura Lantz, Executive Director of the Idaho Society of Certified Public Accountants, were present in the room. David Hahn, Division of Financial Management, joined via teleconference

Public Session

Chairman McCray called the meeting to order and welcomed all those in attendance and advised that if the teleconference disconnects, we will reconnect as soon as possible.

Recognition of Certificates of Service

Chairman McCray apologized that due to COVID safety precautions the employees receiving certificates of service are not in the room today. Those that wish to have pictures taken with the Commissioners are welcome to attend the Employee Meeting later this month. Chairman McCray recognized the following employees for their years of service:

Shannon Carter, Business Analyst, Management Services, 5 years; Jeffrey (Jeff) Morris, Tax Auditor 2, Audit/ITA, 5 years; John Nelson, GIS Analyst II, Property Tax, 5 years; Kyle Rayworth, Senior Appraiser, Property Tax, 5 years; Janet Rostock, Taxpayer Service Representative, Taxpayer Services, 5 years; Philip Johnson, Tax Auditor 2, Audit/STA, 5 years; Sherry Cook, Technical Records Specialist 1, Coeur d'Alene Field Office, 10 years; George Brown, Division Administrator, Property Tax, 10 years; Joel Fadel, Program Specialist, Boise Field Office, 10 years; Kim Nielsen, Tax Compliance Officer 3, Twin Falls Field Office, 10 years; Janet Ek, Taxpayer Service Representative, Taxpayer Services, 10 years; Brenda Kolding, Program Specialist Technician, Audit/TDB, 15 years; Jamie Scheer, Tax Auditor 3, Twin Falls Field Office, 15 years; Thomas (Tom) Shaner, Tax Manager, Taxpayer Resources, 15 years; Megumi Inouye, Tax Auditor 4, Audit/ITA, 15 years; Brian Dufort, Software Engineer III, Management Services, 20 years; Jesse (Jess) Jackson, Tax Automated System Specialist, Revenue Operations, 20 years; Mary Almadova, Program Information Coordinator, Revenue Operations, 20 years; Melanie Palmer, Tax Audit Manager, Audit/TDB, 25 years; James (Jim) Powell, Senior Appraiser, Property Tax, 30 years; Trudy Charles, Software Engineer III, Property Tax, 35 years; Val Clements, Tax Auditor 4, Twin Falls Field Office, 35 years; Alan Dornfest, Policy Bureau Chief, Property Tax, 45 years.

Chairman McCray thanked everyone for their dedication to the Agency. It is the experience and passion for the agency that makes the agency who and what it is today. This is a combined total of 370 years' service to the state of Idaho and that is impressive.

Commissioner Katsilometes announced that Alan Dornfest, in addition to his 45 years' service with the Idaho State Tax Commission, has received the Idaho Association of Counties' highest annual award; the H. Sydney Duncombe Award, given for the service he has provided to the counties and to the Association as a whole.

Business requiring a vote of the Commission

Minutes: Regular Business Meeting – May 25, 2021

Commissioner Moyle moved to approve the minutes of the Business Meeting held on May 25, 2021. Commissioner Katsilometes seconded the motion. There was no discussion; all commissioners voted aye, and the minutes of the Business Meeting held May 25, 2021 were approved.

Minutes: Idaho State Board of Equalization August 9 – 23, 2021

Commissioner Katsilometes moved to approve the minutes of the Idaho State Board of Equalization held August 9 – 13, August 16 – 20 and August 23, 2021. Chairman McCray offered corrections for August 13, 2021, August 17, 2021, and for August 18, 2021. Commissioner Katsilometes amended the motion to approve the minutes of the Idaho State Board of Equalization held August 9 – 13, August 16 – 20 and August 23, 2021 and include the changes as noted by Chairman McCray. Commissioner Zwygart seconded the motion. There was no discussion; all commissioners voted aye and the minutes of the Idaho State Board of Equalization, August 9 - 23, 2021 were approved.

Resolution 21-02: 2022 Stumpage Values

Rod Brevig presented the 2022 Stumpage Values. Chairman McCray noted Mr. Brevig was also recognized earlier this year by the Idaho Association of Assessors for his dedicated service to the counties and forestry. This is another nice recognition from an outside agency. Mr. Brevig said it was very nice to be recognized.

Mr. Brevig said it is a pleasure to present these forestry topics. Stumpage is the value of a tree, as it stands in the woods, to the landowner. This provides the value of the crop that is being produced. It takes a while to grow a tree and it's always been a topic of discussion about how to tax Forest Land. There was a new system developed in Idaho and there are now two options. Of those two options, the productivity had an income approach which resulted in extremely high and low variations as the market dynamics went up and down. As a result, the Committee on Forest Taxation Methodologies (CFTM) was developed in 2005 to address some of the issues of the legislature. In the 1990's, the Forest Service stopped selling trees because of interest group pressures. As a result, there was a period when stumpage values went up because mills were bidding away the profit margin to stay in business. As a result, the income approach in use at the time did respond to that and the values went up dramatically. Because of that, the CFTM was formed. The CFTM has done some very good work over the years, but the most recent efforts were to develop a valuation model that was steadier. Anyone that has attempted to purchase lumber recently will have noticed prices have increased dramatically. Stumpage values weren't affected, though, because of the nature of the relationship between the manufacturing capacity for lumber products within the state of Idaho and supply.

This year, stumpage values haven't changed much. There have been major market factors, so the comparison between 2021 and 2022 values reflects some of that. The difference shown on the chart before the Commission indicates individual species can vary widely. Small logs require different manufacturing and Plummer, Idaho now has one of those facilities. Small logs were previously chipped in the field but can now be made into lumber. One thing that is also happening now is those logs with a "sweep" can be cut following the crown through the log and the lumber is ultimately flat. It's created a different market as there are more dynamics and more logs can be utilized.

Mr. Brevig reported he has not received any feedback or questions from the stakeholders about the proposal, which is normal. He recommends the Commission adopt these values. He believes they represent the market.

Commissioner Katsilometes asked Mr. Brevig why the value of Ponderosa Pine in Zone 1 dropped but in Zones 3 and 4 values increased. Mr. Brevig said it is due to differences in the markets. Mills are being purchased and are now producing in this area whereas in the north, the opposite is occurring.

Commissioner Zwygart noted the market value changes because of the mills and their locations. He was not aware of that. Mr. Brevig said the only thing guaranteed is change.

Commissioner Katsilometes motioned to accept Resolution 21-02: 2022 Stumpage Values. Commissioner Moyle seconded the motion. There was no discussion; all commissioners voted aye and Resolution 21-02 for 2022 Stumpage Values was accepted.

Administrative Reports

John Bernasconi, Chief Operating Officer

Mr. Bernasconi reported the tax rebates have been going extremely well. They are currently paused for the month of October due in large part to the focus on processing returns that are due in October. They didn't want the rebates and return payments to be mixed. Returns will be filed through the end of the year. There were 660,000 rebates processed prior to the pause and they anticipate 60,000 – 80,000 through the rest of the year. Once rebate payments resume, they should be completed by mid-November. Mr. Mascall will share the actual numbers during his update.

Mr. Bernasconi thanked Idaho Parks Director Susan Buxton for encouraging the Operations Leadership Team to hold an executive retreat at the Harriman State Park conference center. He recognized how well the teams did while the Leadership Team was absent. Thank you to everyone in the tax commission. This agency has done a great job of preparing our teams to lead and it's something upon which they want to continue to focus. The Retreat was a time to focus on teambuilding and trust and strategic and tactical decision-making. There was a speaker one day who talked about both establishing and rebuild trust. She laid a great foundation that will be shared through the organization. She has written a book about trust repair and he has an extra copy if someone would like to read it. It was a wonderful opportunity for the Team.

Mr. Bernasconi welcomed Evan Sailor to the Operations Leadership Team as the new Collection Division Administrator. He will provide the Collections update today. Everyone has offered help, but Ms. Coulson, who is in the room, can provide more about Collections than anyone he knows.

The semi-annual Employee Meeting is in a couple of weeks. It will be delivered in person and virtually. About every other meeting, the Governor has come to speak to the employees. He won't be at this meeting, but we may invite him for the Spring meeting.

Mr. Bernasconi offered a special thanks to Accounting and to the Taxpayer Resources Units: to Renee Eymann, Tom Shaner, and Lisa Kopke for continuing to do such a good job while Leadership works to hire a Public Information Director and a Fiscal Executive Officer. The Commissioners are currently reviewing the Public Information Director announcement and he anticipates having the announcement posted next week. The Fiscal Executive Officer announcement has closed, and interviews will be scheduled as soon as possible.

Commissioner Moyle asked if there has been any feedback from employees about the Leadership Team going on a retreat during a high peak of COVID. Mr. Bernasconi said no; Commissioner Moyle said she was curious if any employees had said anything. She is unsure about the timing of the retreat, even though it was a good experience, especially considering some of what the Governor is going through currently. Chairman McCray responded that we've been dealing with this pandemic now for over eighteen months and know how to protect ourselves and what precautions to take. It is important to continue doing good work for the state and to continue to improve. He cannot support putting everything on pause because of optics. It is important for us, as leaders, to be able to lead through these times and we must make sure to take time for ourselves to become better leaders and be able to adapt to the issues we face. He fully supports the activity and the work that was taking place. This was also supported by others in the Executive Branch. He is glad it took place. Ms. Wind said the feedback she received was that her team was excited Leadership went and supported the point of the retreat, that they were working as a team. She did not receive anything negative. Mr. Bernasconi said he may have understated how much effort went into every day of the Retreat. There were six of them present, they didn't sit close to each other, and they spread out in a room with much more than six feet distance. He appreciates the sensitivity. He expects the same effort at the Western States Association of Tax Administrators (WSATA) Conference next week. At least two Tax Commissioners will attend, and several presenters and they anticipate attendance to be 125 people. Commissioner Zwygart added that he is glad they did this. Everyone could just

stop, but he's glad we are working around the issue and being sensitive to everyone's needs and feelings. He is grateful they continued working.

Debbie Coulson, Interim Appeals Manager

Ms. Coulson thanked the Appeals Division staff for being both positive and patient. She has been reviewing Appeals cases for status and any actions needed to help move those cases along. They are also working (it's a bit slow right now due to a GenTax Service Pack deployment) to add new Stage Types in GenTax to help identify where cases are and if they are in a stage that perhaps should have been resolved. It is a team effort. To date, there are currently 340 Appeals cases. Of those, decisions have been mailed for 75 cases. Those will remain in the total until the 91-day statutory appeal deadline expires. There are 265 active cases.

Appeals is recruiting for an Appeals Specialist to cover Sales Tax. There is currently only one Appeals Officer in Sales Tax and she is overwhelmed. Chairman McCray asked if the Appeals Specialist for Sales Tax position is closed. Ms. Coulson replied that it is still open. Commissioner Zwygart asked if there are many applicants. Ms. Coulson said she has not spoken with Human Resources; however, since it is still open, she is hoping for a larger pool of candidates.

Evan Sailor, Collection Division Administrator

Mr. Sailor was with the Idaho Industrial Commission for six years prior to coming to the Idaho State Tax Commission and while he is familiar with state government, he's learning Tax. Mr. Sailor reported that the Collection Business Analyst, Beth Gasseling, is working on several projects (33 total) and developments to improve and make their processes better and more efficient. She is updating letters based on recommendations of the public and on our own employees and she is automating some of their processes for efficiency, one is the Lien Auto-Renewal process which should go live in about one month. Previously, employees had to touch every part of that process which was very time consuming.

Collection continues to recruit and fill vacancies and are interviewing for the vacant Compliance Officer 1 and Compliance Officer 2 positions in the Boise office. They hired two Technical Records Specialist 1 candidates who will start on October 18. They've recently promoted a Compliance Officer 1 to a Compliance Officer 2 in Pocatello, so will be advertising to back-fill that position.

Lynn Howard, Tax Training Specialist, has been moving forward with the Divisions formal training program in the last few months. She has conducted several training sessions with the newer Compliance Officer 1 staff in the Boise office, and she's developing a formal training calendar. She will be focusing on a formal new-hire training, creating a monthly in-service training, and will create an electronic training library as well as a tracking form so all training hours can be credited correctly.

The total recoveries through September 30 are \$69,836,167.87; the total number of collection cases closed through September 30 are 45,536 and over the same period, there have been 25,113 new cases created.

Commissioner Katsilometes asked what the difference is between the recoveries to date this year compared to last year. Mr. Sailor said last year at this time, we were much lower at about \$40,000,000. In FY 2021, Collections recovered about \$180,000,000 total; they are on pace to exceed \$200,000,000 this year.

Chairman McCray asked how many vacancies there are currently in Collection. Mr. Sailor said he doesn't know the total, but they are recruiting for 10 Compliance Officer 1 positions and 2 Compliance Officer 2 positions. Chairman McCray asked if there is a good pool of applicants. Rhamona Grabenstein, Tax Human Resource Officer, responded that there are 14 applicants on the Compliance Officer 1 hiring list. Mr. Sailor said they are hoping to make offers to at least two or three applicants from this announcement. Ms. Grabenstein added that Human Resources has attended several job fairs with representatives of Collection, so for those positions that are more difficult to fill, they've had someone to answer questions and engage the applicants.

Chairman McCray said 33 open projects for the Business Analyst seems like a large number. Mr. Sailor deferred to Ms. Coulson to help with the answer but 12 – 14 of those projects are quite small and not very time consuming. Mr. Bernasconi said that a “project” is very specific in scope and of very limited duration.

George Brown, Property Tax Division Administrator

Mr. Brown commented that Alan Dornfest, Property Tax Policy Bureau Chief; Rod Brevig, Forest Tax Administrator; Trudy Charles, Property Tax Systems Analyst; and Jim Powell, Property Tax Senior Appraiser are in his Division and have a significant amount of time listed this year as employees of the Tax Commission. The total years of service for those named today was 370 years and of that, 145 years was for these four people. He wanted to mention that it’s amazing that this is 10% of the people working in Property Tax. There are about 40 – 45 people in Property Tax and these people have dedicated their lives to the taxpayers of the state of Idaho. It isn’t just his Division, but these are the ones he can talk about: these people come into work every day for 35 – 45 years and do great work; they are just dedicated to public service. All of them could likely double their salary working elsewhere. He wanted to give his personal thanks – on the record – for their incredible work. You don’t see that every day. Commissioner Katsilometes agreed with Mr. Brown; they are dedicated employees and are very talented. These staff members resolve problems with the counties before any complaints are forwarded to the Governor’s office.

Mr. Brown noted this is normally a quiet time of year for Property Tax. The Education Department is planning the Winter School that will be held in January 2022. The attendance interest appears to be low this year but is juxtaposed with the Summer School when they had the highest enrollment to date. Winter school is usually smaller because it is more difficult to travel, and COVID appears to also play a part. Those that needed credits attended the Summer School. This is a positive in that if there are lower numbers, Tax Commission employees can attend more classes. Many classes are not tax specific, and include topics such as Excel, Windows, and other Microsoft classes. Regional classes, alternatively, have increased partly because of COVID, but also because there is a general lack of experience with county elected officials and staffs, so there are large numbers of people that need their initial certifications. There have been about 10 or 11 of those classes this year and are taught by one of the consulting appraisers from those local areas.

Commissioner Katsilometes asked Mr. Brown to describe the difference between Summer and Winter schools and how these schools are funded. Mr. Brown said the schools have generally similar classes. There are some that are traditionally alternated. Counties are asked for their recommendations based on the needs of the staff. Often instructors are hired from external agencies and it costs money to hire those individuals. Property Tax pays for their travel; although with COVID, there are fewer willing to travel. Students are charged approximately \$105 per day for attendance, which covers the school. Property Tax has an amount set aside for this purpose every year, but the primary source of funding is the counties or the attendees. The Winter and Summer schools are the largest property tax school program west of the Mississippi. People come from all over the United States to these schools. The International Association of Assessing Officers (IAAO) has their own classes, and those are also offered here because they are important to those that must maintain their continuing education certifications through that organization. The program is technically self-funded; they try to break even.

Mr. Brown continued that these schools are statutorily required for mappers and appraisers and the regional classes have been expanded. There is a statutory obligation to teach county Boards of Equalization, so Mr. Brown and Matt Virgil, Consulting Appraiser Supervisor, teach that class. While it is required every other year, they’ve begun teaching it every year and increased from four classes per year to nine this past year because there are so many new county commissioners. Alan Dornfest teaches Urban Renewal courses and Pam Waters, Property Tax Reduction Unit Supervisor, teaches property tax reduction classes to county staff so they’ll be able to enter information correctly into the system. Counties are also required to have an appraisal plan at County Assessor’s Offices, because every property must be visited every five years. Properties are appraised every year but must be seen every five years and they must submit a plan to the Tax Commission to show how that will be accomplished. They must detail staffing, mapping, technical details, and training levels. There are currently 272 certified ad valorem appraisers and 58 certified cadastral (mapping) specialists. That is a relatively stable number.

The Technical Support Bureau provides software appraisal and tax software to the county appraisers, clerks, and treasurers. They've also been busy and have recently hired a new Software Engineer I, Cliff Storey due to increased workload. He will assist with the UAD Web program and then UAD Web Phase II. UAD Web is the software that controls the processing of billing and sending notices. Phase II is appraisal software, a Computer Assisted Mass Appraisal (CAMA) system. An appraiser's office can input the different aspects of a property to generate an approximate value for that property. UAD Web mirrors a system that is on AS/400 machines that Property Tax also programs. AS/400 machines are quite old (from the 1980's) and Property Tax is moving to a web-based software which is cheaper for the counties. (An AS/400 machine can cost \$25,000 - \$30,000 and a server is approximately \$6,000 - \$8,000.) They've just installed, in Gooding County, the beta version of Phase II. Once it is verified that it works, the CAMA system will be incorporated into those counties with UAD Web and in all subsequent counties that are converted. They anticipate converting 2 - 3 counties per year over the next 5 - 6 years. Commissioner Katsilometes said asked how many systems are currently in use. Mr. Brown said Property Tax provides support for three: the original AS/400 system, UAD Web, and Aumentum, used by a few counties. There are hybrids of each of those systems and some counties have their own systems for which Property Tax provides no support. Bannock County had their own system but have since converted to UAD Web. The danger of those in-house systems is when the primary developer leaves and the system breaks, there's no one to fix it and the conversions to UAD Web that have already occurred are a result of an in-house system failing. Commissioner Katsilometes noted that assessments must be uniform throughout the state, but many counties have their own systems, so it is difficult to keep them all online and is why UAD Web is such a benefit. Mr. Brown said Janet James, the Technical Support Bureau Chief, has been incredibly busy because of the legislation this past year that fundamentally changed how budget and levy is calculated. Everything for that is accomplished through these systems so there has been a great deal of extra work for the Technical Support Bureau and they've hired additional staff to comply with the requirements. Paper supplies are backed up in the system, too. Any assessment notices (approximately 1.3 million forms) are provided by the Tax Commission to the counties to be printed. That process is behind because paper is a part of current supply chain concerns, but they are confident the Counties will receive the forms in time to meet their statutory deadlines in late November.

Consulting Appraisers located throughout the state provide education to the counties, and the demand has increased. Property Tax has six Consulting Appraisers, but one position has been vacant for a while now. Mr. Brown is working with Human Resources to fill that position. They also have a continuing dialogue with the counties concerning pro-ration of the new homeowner's exemption that was passed last year. Some counties feel they should pro-rate the exemption, the state does not believe it should be pro-rated.

Archie Keeton, III, Research Analyst, has moved from Property Tax Policy to the Project Management Office, still within the Tax Commission. Ben Seloske, Research Analyst Principle has been hired to fill Mr. Keeton's vacant position and they've hired a Research Analyst, Senior, Eric Wilson. They will help to answer questions resulting from the new legislation. There is a massive increase in the calculation; the spreadsheet for the budget and levy calculation contains 11 worksheets and any one thing that changes could affect massive amounts of data and the more eyes on it, the better. They are very glad to have Mr. Seloske and Mr. Wilson helping. Most of the L2 forms are in; they are usually due in September, but because of the legislative changes, the counties have been unable to process them. An L2 form is the budget and levy calculation sheet that counties fill out and send to the Tax Commission for review to ensure budget and levy controls aren't exceeded. The Tax Commission must complete that review by hand, approve it, and return the forms to the counties by October 25. There are 1,200 taxing districts. Mr. Brown said now, instead of one person doing all that work, there are two.

The Property Tax Reduction reports that are sent to the counties should go out next week. The law also changed on Property Tax Reduction to include a limit on the program. If someone's home is worth more than 125% of the median value in their county, they won't qualify for the program anymore. Homeowners must apply before the median is established and counties traditionally receive the application to review. Many are rejected because staff know the values will be too high. The Tax Commission has now recommended that the counties accept all applications because no one knows what the values will be until September or October. This will also

allow Property Tax to collect the data about applicants who do not qualify for the program. Alan Dornfest recently had an article on this issue published in Fair and Equitable, a trade magazine of the IAAO. It is a good article for IAAO members because Idaho tax is very stable, so when there is a big change, it is easier to track the ramifications of the change.

Mr. Brown said he is proud to announce that the WSATA Committee on Centrally Assessed Properties (CCAP) Logan school will be held this year. This school teaches how to value operating property companies. It will be live at the Utah State University and will be held January 31 through February 4, 2022. Chairman McCray said that after his experience with the State Board of Equalization this year and being exposed to operating property values, all the Commissioners should attend that class. Mr. Brown said this class will provide the fundamentals of the calculations. Anyone can attend. They have a basic course, an advanced course, and an audit course; all three of which are required for the Tax Commission's Senior Appraiser Certification.

Chairman McCray commented that Mr. Brown has done an excellent job of recognizing his team with supporting data and he appreciates Mr. Brown opening his presentation with that recognition.

Rick Mascall, Revenue Operations Administrator

Mr. Mascall reported that they have processed approximately 650,000 rebates and approximately \$169,000,000 has been distributed. One challenge has been with addresses: when the State Controller's Office sends a warrant (check) and it is returned, staff must attempt to find the correct address for the taxpayer. Approximately 7,700 warrants have been returned. The Project Team anticipated it and were ready for this to happen and they've been processing those returned warrants. There are approximately 1,000 they are still trying to match to an address.

Ms. Young interrupted the presentation to re-establish the teleconference connection.

Mr. Mascall resumed with the statistics for the third quarter of this year. Currently, the individual income tax returns received is 931,000 and right now, the electronic filings are up about 3%, The numbers could increase once the 4th quarter is received. The business income tax returns received are currently about 102,000 both electronic and paper, with electronic filings also seeing an increase of approximately 3%. Revenue Operations has issued 495,000 refunds this year for \$216,000,000 with an average refund of \$436.

This year, the seasonal temporary employees has been a challenge, both hiring them, then getting them to stay once employed. It is difficult to ensure the seasonal employees are on-board when the volume is highest while keeping them below the number of hours they were hired to work. There was a lower number of seasonal employees than ever before. Additionally, Revenue Operations has experienced a high number of regular employee resignations. In the last two months, they've hired eight new employees. That also creates a challenge because those individuals must be trained to be ready for the upcoming tax season. There are multiple activities around training right now and that creates a challenge because the person conducting the training cannot also be processing returns. Hopefully this will begin to pay off soon. They currently have one resignation in the Information Technology unit for which they are recruiting, two recruitments ongoing in the Central Processing Unit – Receiving, and one recruitment for a position in the Electronic Data Management group which conducts testing for the new systems.

Mr. Mascall said, as part of Strategy, they've been working on Operational Excellence. He's been working with internal teams to set up the Core Team to understand what Operational Excellence is and how it's used to align activities to the Strategy. That work is ongoing and on track. He has also spent time with the Operational Leadership Team to understand exactly what this should look like and he spent time during the retreat working through that tactically. It was encouraging that everyone understood and sees the path forward and how it can help in some of the other processes.

One of the biggest things going on in Revenue Operations right now is the update of the system for Tax Year 2021. It impacts Revenue Operations in a big way, but it also impacts everyone else. He appreciates his partners in Audit, Collection and TRU. They are on-track right now, but there have been some challenges this year getting all the systems configured. They typically like to get all the paper in place and test it which helps when they get to the electronic testing, so many of the big things are already out of the way. The IRS opened their modernized e-file window 30 days earlier so all the paper things had to be done 30 days earlier. They don't have the paper finished yet, but the good news is that they are still on-track for the year and will be ready by January 1, 2022. If they're not ready by the 12th, when the modernized e-file system opens, they may end up being in "queue" behind another state that was ready. They are working through that and will mitigate risks.

In alignment with Strategy, Revenue Operations is attempting to increase their ability to process electronically as much as possible. The Taxpayer Access Point (TAP) is going through some changes. They've tried to shift much of the customer support to the Taxpayer Service groups and in doing that, they've used the Electronic Data Management (EDM) team to train Taxpayer Services (TPS) in how to respond to the taxpayer service questions and how they can help TAP users to be more effective. They've produced procedures and guidelines and have spent the last six weeks training their Taxpayer Services colleagues to get them up to date. They expect to transfer all phone calls to that group within the next two weeks. They believe that will allow the EDM team to focus on the testing to get ready for the next tax filing season and the TPS team is in a better position to answer those taxpayer questions.

Revenue Operations continues to explore ways to increase electronic filing and will have Beer and Wine forms ready in TAP by the end of November. That should be fully tested and those distributors and wholesalers can then file through TAP. Mr. Mascall has personally spoken to some of the distributors, and they were excited to be able to file electronically. There are several other areas they are exploring, as well. The FAST-Hosting Services is expected to go live October 23. This will be the full move to the Denver site. Internally, there will be a change for internal Wi-Fi effective October 31.

The US Postal Service has changed their standards for mailing. That will affect Collections and Revenue Operations. It shouldn't have a huge impact, but they may need to send correspondence earlier to ensure the taxpayer has enough time to respond.

Mr. Mascall is proud to announce that Andie Harris and Tarra Harris have been nominated to the Certified Public Manager (CPM) program.

Chairman McCray acknowledged the additional work on the Rebate Program this year. Revenue Operations "under promised and over delivered" and that is the way he likes to operate. To have that many rebates out before October is excellent work, and he extended the appreciation of the Commission for doing that work. Mr. Mascall said there has been some by-product, but Justine Weaver and Shannon Carter were the big drivers of the program and that appreciation should go to them.

Commissioner Moyle asked Mr. Mascall to explain what happens if addresses can't be found for the rebates that were returned. Mr. Mascall said they look for the last return and try to send the rebate to that address. The project team was clever because they sent an email to update addresses. The Taxpayer Resource Unit (TRU) helped by letting taxpayers know that if their address has changed, it should be updated with the Tax Commission. They processed those emails and were able to update the addresses early, so the 7,700 is likely a lower number than what it could have been. Ultimately, if the rebate cannot be delivered, the Tax Commission will hold them, but by statute, the rebates must eventually be submitted to the Unclaimed Property.

Kim Wind, Audit Division Administrator

Ms. Wind reviewed statistics for the Audit Division. There are 66 SQRs open, but 23 are still part of the "letter project" and are minor. The years for which they are conducting audits are: Income Tax Audit is working in Tax Year 2018, Tax Discovery Bureau Non-filers are working in Tax Year 2016. These are reported because

the Audit Division is frequently asked about the year in which they're working since it's always behind – not the current year.

The Audit Letters Project (to have audit letters put into GenTax) was finished August 1, 2021 and she thanked Robert Foster and the many staff, including TRU staff, especially Celeste Schmidt, which worked on this project to get it completed. A current project involves the Examination Operational Automation Database (EOAD), which is a federal audit program (when the IRS Audit completes an audit, the Idaho Tax Commission receives that data) and the single-year non-filer is also on-track and should be fully developed and implemented by the end of the year.

Fraud statistics indicate that 43% of the identity theft and fraudulent returns are associated with the Recovery Rebate, the IRS portion of when they were distributing stimulus money and it affects states. It's called Recovery Rebate, but it's really about the IRS portion where people were filing under deceased taxpayers, or under those who didn't need to file (children). They all received stimulus money, so there was a great deal of fraud and many states are dealing with this now. There are also 1099-R issues and W-2 issues: the Fraud Team is doing a great job. Along with that, there were 927,000 total returns filed. To deter identity theft there were 2.3% of those that received letters in 2021, which is a relatively low number. The Fraud Manager tries to identify people before letters are sent because they don't want to send letters unless necessary. Last year there were 894,799 returns received and 2.6% received letters. Chairman McCray asked if these are the letters to confirm the identity of an individual for the purpose of rebates or interaction with the Tax Commission. Ms. Wind said yes, they are asking for more information to confirm identity. Chairman McCray said the reason for the question is that there is feedback from TAP surveys about the extra steps to go through to ensure someone's identity. His observation is that it is an extremely low number of tax returns that are receiving these letters. Identity theft is a huge issue, and we want to do whatever we can, especially with taxpayer information, and this is important. Ms. Wind said she has received that feedback and that is one of the reasons she highlights it here. They do review this every year to try to make the process easier, but they still need to verify the taxpayer's identity so someone else doesn't get their information or their money. Ms. Wind responded to a comment from Commissioner Moyle that taxpayers think we have all this information, and we don't. Commissioner Moyle said it is a case of "help us help you" in these situations. Ms. Wind agreed. Commissioner Moyle said the processes are improving and she believes the taxpayers will see that benefit. Mr. Brown said what we require to validate identity is much easier to deal with than having your identity stolen. Ms. Wind continued with fraud and identity theft statistics. In 2021, there were 356 returns with a total of \$3.4 million saved and in 2020, there were 378 worth \$51 million, but that must be reduced by the fraud that was \$49 million alone.

The criminal cases are proceeding, though they are still slower through the courts. They are still waiting for the prosecutor to file charges on some of their cases. There is an IRS case for willful failure to pay that they've been working on for many years, but in July 2021, the individual was sentenced to 18 months' prison.

Audit accomplishments include process improvements in individual income tax (IIT) non-filer and IIT Adjusting Audit working papers. Audit uses Excel but they are trying to transfer that to the GenTax system. This is a huge process improvement. They have migrated to the new Share Point page and are updating all their pages and documents. Audit was initially going to have about 200 letters put into GenTax, but they reviewed those and consolidated to 80 that were put into GenTax. She thanked everyone for making that happen. They've also added TAP functionality to allow taxpayers and businesses a secure method to respond to the requests for information electronically. The Contract Desk was completed, and 756 cases are currently being tracked. This has been a team effort and Ms. Wind thanked the Bureau Chief Mark Stones and everyone else involved. House Bill 171 caused changes in the way resale and exemption certificates are accepted in an audit of a retailer. The Sales Tax Audit unit has made substantial changes to their sales tax auditing procedures and have provided training to staff.

For the first quarter of FY 2022, they have closed 4,889 audits, with \$14,261,450 in recoveries. Last year at this time, they closed 3,810 audits for \$15,013,903 in recoveries. The Tax Discovery Bureau increased recoveries by 1.3 million compared to the previous year. In Sales and Use Tax, these numbers are consistent;

however, Income Tax, primarily multistate, is down 2.4 million. Multistate cases normally take longer to close, but with COVID travel restrictions, they take even longer. Companies are still not completely open, so they continue to have challenges with these audits. Additionally, Layne Hadlock, the Multistate Tax Audit Manager, has retired and Amber Ortiz is the new Multistate Tax Audit Manager. Janice Boyd, Bureau Chief, Income Tax Audit also retired, and Greg Busmann is now the Bureau Chief. Audit has hired 12 new employees since the last Business Meeting and there are eight more positions in some stage of recruitment.

Commissioner Moyle commented that auditors are working behind, in 2018. She said it is her goal to try and work within the three-year statute of limitation, saying they've run into problems with taxpayers that had lost some of their rights because statute ran out. It is her goal to keep it within that three years, so we don't have problems later. Chairman McCray recognized Mr. Bernasconi who said that calendar 2018 is still within the three-year time limit. Commissioner Moyle responded that by the time it gets through the process, it's pushing the limit. Ms. Wind said that's part of why they're working on a process with appeals. When the notice of deficiency (NOD) is sent, that begins the statutory timeline. They will ensure the NOD is sent so they can work with the taxpayer during that protest period. Mr. Skinner further explained the process after serving the NOD. They do have rules to help guide them now and that should improve.

Rhamona Grabenstein, Human Resource Officer

Ms. Grabenstein reported that recruitment, as reported already, continues to be an active part of Human Resources. According to a recent report, there are 47 vacancies that have been processed through the state's system. Only 10 of the positions are not in some stage of active recruitment, but there are plans for those positions. Recruiting for 37 positions involves a great deal of work, but that doesn't include those positions that are being worked on proactively because someone is planning a retirement, or a promotion is pending. Those require backfilling. Since the beginning of this fiscal year, they have processed 49 new hires to the Tax Commission and 19 that have either promoted or completed an underfill assignment. They are hiring and moving people through the state system. Unfortunately, they have also processed 30 terminations and that doesn't include 13 retirements with more pending. The classified turnover rate, as of October 4, 2021, is 7.7%, which is higher than the statewide average of 6.8% for the same period.

Human Resources also has an increased workload due to COVID. They began tracking again in July 2021 and since that time there have been 19 positive cases at the Tax Commission. That is very different from when the pandemic first began. With that, there have been 86 employees who have, through either exposure or positive events, been sent home in a short-term telecommuting situation while they are in a quarantine period.

Ms. Grabenstein said she is very proud of the employees of the Tax Commission. A fire drill took place while the Operations Leadership Team were at their retreat. The managers did an amazing job with very few hiccups, and she is very proud of all the staff, especially Alan Pack, who leads the Emergency Evacuation Program and coordinates all the volunteers. He did a very good job preparing everyone – and he was also not on-site for the 8:00 a.m. drill, so they were able to see how things would work without all the Division Administrators and key personnel on-site. Kevin Voss was in the building that date, though, and did a tremendous job coordinating everyone.

There have also been several volunteers throughout the Tax Commission to make some fun things happen. There was recently a photo contest, almost spur-of-the-moment, to recognize some great photographers at that Tax Commission. Winners have been selected and they are waiting patiently while those photographs have been stretched on canvas. Those were posted last week in the conference rooms and Ms. Grabenstein voiced a very big thank you to Toni Nash, Leslie Jones, Pat Surline, Celeste Schmidt, Valerie Clark who worked collaboratively to get those photographs placed. They are beautiful and they are getting placards that will identify the photographer and the date of the photo. Another team of volunteers is the Employee Events Committee and Kim Wind, the Operations Leadership Team sponsor for this group sent a "save the date" announcement for the Halloween plans scheduled for October 27th.

There are 10 applicants for the Certified Public Manager (CPM) program that must also apply to and be accepted by the Division of Human Resources (DHR). All 10 applicants were accepted and will begin their program in mid-October.

The Human Resource Officers from around the state continue to meet with DHR on Human Resource (HR) Modernization. One of the key people involved in the HR Modernization effort is Lori Wolff, Director, DHR, and her Bureau Chiefs have been meeting with all agency heads and have reported back to their teams that all agencies want HR field staff in the agencies; they want to ensure they have representation at the agency level, so the current operating model includes an HR field office presence. The model is still under development, but they will be keeping that field component. The other big item is LUMA. Human Resources has entered Phase II, which involves switching over the current systems to a comprehensive human resources information system (HRIS). Maggie Martinez, Tax HR Specialist, Senior, is currently working full time with Luma during the business process review. When that is finished, it will once again become part time. Tax HR is consequently down by one person, so they've been fortunate to receive approval to hire a limited-service employee to help with the day-to-day activities here. That position is posted and will close October 11. It is difficult to hire for a limited-service position because while it is benefitted, and they will receive credited state service hours, it is for the duration of the need and LUMA is scheduled to be live January 2023. She's worked with DHR and they are willing to allow the conversion of that limited-service position to a regular classified position to hopefully attract applicants and keep the chosen individual at the Tax Commission.

Ms. Grabenstein extended a huge Thank You to her team. They've had new people come onboard, promoted from within, a new person just started on their team yesterday, one is supporting LUMA, and another has been on leave for personal reasons. It is a very small team to begin with and they've still been getting everything done so she wants to thank all of them and all the Tax Commission for their patience while they work through some of their own staffing challenges in trying to meet the needs of the agency.

Chairman McCray thanked Ms. Grabenstein for getting the fire drill completed. It is important to keep our focus on safety, especially as the weather changes and we begin heading into the winter months. Ms. Grabenstein added that Pat Surline and Leslie Jones, of the Taxpayer Resources Unit worked on the Tax Insider, our intranet site, link for Tax Safety and Security that contains updated information to help drive and support our safety and security. They worked on the video for the video about what to do during a fire drill, there is an evacuation plan that have all been posted for the Boise office and all the field offices. They've added winter messages, COVID updates and they will continue to keep it updated. Chairman McCray appreciates their efforts. He further commented that the single-digit turnover rate is "world class." Typical industries are in the double digits.

Reports on Rules Committees

Tom Shaner, Tax Policy Research Manager, reported that rules are very different this year. We are in the first year of our five-year review of Administrative Rules, based on Executive Order 2020-01: the Zero-based Regulation order. Each state agency is asked to repeal and replace 20% of their Administrative Rules each year so that by the end of the five-year period, we will have gone through all the rules. The focus is to try to reduce and clarify the rules to make them easier to follow, each chapter will be simultaneously repealed and replaced with the new set. They've had many questions about whether there are rules in place: there are. At no time are we working without a net. The rules were renewed for the 2021 fiscal year as temporary rules until the legislature has an opportunity to review them again. Conveniently, there are 10 rules chapters at the Tax Commission, so they've chosen to review two each year, pairing one relatively large one with a smaller one. Currently, the Administrative and Enforcement and Kilowatt Hours rules are being reviewed. They are not making any substantive changes, but the interest rate was in there and there was a paragraph explaining how they are calculated and a table depicting rates back into the 1990's. Some of that history is relevant, but it was moved to our website. It doesn't change anything but reduced the rule by about 1-1/2 pages. The result is that it's now easier to find your way through the rule. They aren't making any new rules or changing the effectiveness of any of them. The Kilowatt Hours and the Administrative and Enforcement proposed rule notice will be published

tomorrow on the Department of Administration's website and there will be a public hearing on October 21st at 10:30 a.m. When the bulletin is published, the public has an opportunity to provide written comments and those are given the same weight as comments received in person at the meetings. The public has seen the Administrative and Enforcement and the Kilowatt Hours rule changes because there's already been one public meeting. There are requirements to have more than one meeting though, and this is the second of those meetings.

The other rules and tax types are slower. They aren't having the monthly meetings they've had in the past. The committees have begun looking at those chapters to see what may need to be changed and are building a library that will be available on Share Point for staff because questions are answered daily. Mr. Shaner has all the legislative history of the Tax Commission in paper form, and that has all now been scanned, organized, and put into folders by year and tax type. Hopefully it will be searchable and make sense. The more recent years are more complete than earlier years. They also want an automated Ideas & Suggestion system for anyone in the Tax Commission to be able to submit an idea form that will go up through their management so the department is aware of the idea or suggestion and will eventually make its way up to the Research Division, Commissioners and Attorneys and they will be able to consider it as a part of the process for legislative ideas. He aspires to have the project completed this year.

Other Business

There was no other business.

Public Comment

There were no public comments.

Executive Session

Commissioner Moyle 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. Commissioner Zwygart seconded the motion; Maria Young, Management Assistant took a roll call vote: Commissioner Moyle, Commissioner Zwygart, Commissioner Katsilometes, 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 noted the next business meeting of the Tax Commission will be November 16, 2021 at 9:00 a.m.

There being no further business, Chairman McCray adjourned the meeting.

Maria Young, Secretary

Jeff McCray, Chairman