

IDAHO STATE TAX COMMISSION
COMMISSIONERS' BUSINESS MEETING
MINUTES OF MEETING OCTOBER 24, 2023

In attendance: Chairman Jeff McCray, Commissioner Jared Zwygart, Commissioner Janet Moyle, Commissioner Paul Woods; Kathlynn Ireland, John Bernasconi, Evan Sailor, Rick Mascall, Lisa Kopke, Rhamona Grabenstein, George Brown, Brian Stender, Canyon County Assessor; Hollie Ann Strang, Gem County Assessor; Josh Scholer, Division of Financial Management; Travis Jones, Riley Stegner & Associates; Katrina Basye, Idaho Power; Rick Smith, Hawley Troxell; Sara Westbrook, Idaho Association of Counties; Kim Wind, Justin Baldwin, joined by phone.

Public Session

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

Business requiring a vote of the Commission.

Minutes: Regular Business Meeting – April 25, 2023

Commissioner Zwygart moved to approve the minutes of the Business Meeting held on April 25, 2023. Commissioner Woods seconded the motion. There was no discussion; all commissioners voted aye, and the minutes of the Business Meeting held April 25, 2023, were approved.

Minutes: Special Business Meeting – May 8, 2023

Commissioner Woods moved to approve the minutes of the Special Business Meeting held on May 8, 2023. Commissioner Moyle seconded the motion. There was no discussion; all commissioners voted aye, and the minutes of the Special Business Meeting held May 8, 2023, were approved.

Minutes: Idaho State Board of Equalization Meetings – August 14 – 28, 2023

Commissioner Moyle moved to approve the minutes of the Idaho State Board of Equalization meetings held August 14, 15, 16, 17, 18, 25 and 28, 2023. Commissioner Zwygart seconded the motion. There was no discussion; all commissioners voted aye, and the minutes of the Idaho State Board of Equalization meetings held August 14 – 28, 2023, were approved. Chairman McCray thanked Maria Young for the detail and excellent minutes recorded for such technical topics that were presented to the Idaho State Board of Equalization.

Resolution 23-03: Income Tax Temporary Rule 700

Tom Shaner, Research Manager for the Tax Commission, was recognized to present Income Tax Temporary Rule 700. Mr. Shaner said this is presented as a Temporary Rule and will also be presented in the following resolution as a Pending Rule. Idaho Code § 63-3029 allows a credit for taxes paid to other states by an Idaho resident: if income is taxed by another state, Idaho provides a credit. This is a common practice throughout the country to avoid double-taxation. This rule clarifies that when taxes are paid by a pass-through entity, they're still entitled to the credit. There has been some confusion. The statute is clear that if a partnership, or an S-Corporation pays tax on your behalf, and your home state taxes that, you're entitled to the credit for the relief. The Temporary Rule is presented so it becomes effective immediately, the Proposed Rule is presented so the legislature can review it during the next session.

Commissioner Moyle moved to approve Resolution 23-03: Income Tax Temporary Rule 700. Commissioner Woods seconded the motion. Chairman McCray asked Ms. Young to conduct a roll call vote: Commissioner Zwygart voted aye; Commissioner Woods voted aye; Commissioner Moyle voted aye; Chairman McCray voted aye. Resolution 23-03: Income Tax Temporary Rule 700 was approved.

Resolution 23-04: Pending Rules: Income Tax Rule 700, Mine License Tax 35.01.08, Property Tax 35.01.03

Chairman McCray reviewed the pending rules before the Commission. Income Tax Rule 700 has just been presented by Mr. Shaner as a temporary rule. Chairman McCray recognized Elena Gonzalez, Tax Research Specialist for Mine License, to present the Mine License Tax. Ms. Gonzalez said they've reviewed the rules for Mine Licenses and held two public meetings with interested parties. This review is a part of the Governor's zero-based rules regulations. They are reducing language that restates statute which streamlines the rules for clarity. Chairman McCray asked if there are any substantial changes. Ms. Gonzalez said there are none. The only thing removed was the tax rates because they're already in statute. There was one definition removed that also restated statute. There were no comments or questions from the public.

Commissioner Zwygart moved to accept the Mine License Tax 35-0108-2301 as written.

Commissioner Woods clarified there are multiple parts to this resolution. Chairman McCray asked to break the Resolution up by docket number. The Commissioners will address the two dockets already presented, then the Property Tax docket. The first docket is 35-0101-2301 which is the administrative income tax rules that were just heard. Instead of a Temporary Rule, it will be a Pending Rule.

Commissioner Moyle moved to accept the Income Tax Pending Rule 35-0101-2301. Commissioner Zwygart seconded the motion. Chairman McCray asked Ms. Young to conduct a roll call vote: Commissioner Zwygart voted aye; Commissioner Woods voted aye; Commissioner Moyle voted aye; Chairman McCray voted aye. Docket 35-0101-2301 was approved.

Chairman McCray asked for a motion to accept the Mine License Tax Administrative Rule 35-0108-2301. **Commissioner Zwygart moved to accept Docket 35-0108-2301 Mine License Rule. Chairman McCray asked Ms. Young to conduct a roll call vote: Commissioner Zwygart voted aye; Commissioner Woods voted aye; Commissioner Moyle voted aye; Chairman McCray voted aye. Docket 35-0108-2301 Mine License Tax Administrative Rule was approved.**

Alan Dornfest, Property Tax Policy Bureau Chief, was recognized to present Docket 35-0103-2301. He is the chair of the Property Tax Rules Committee and said this is a complete re-write of the Property Tax Rules in accordance with the Governor's Executive Order. This process afforded the opportunity to rectify the areas that no longer agreed with statute because there have been many statutory updates since the Property Tax Rules were last reviewed and adjusted. This has happened over the course of the last year with Tax Commission staff and external advisors during multiple meetings. Three rules have changes. Those are a part of the Resolution before the Commission and occurred due to public input. These changes were not part of the published version. They are Rule 217 on market value: language was deleted that repeated statute; Rule 510 dealing with categorization and the definition of some of the agricultural land categories; and Rule 407 related to hearings on operating property appraisals: those hearings occur before the Board of Equalization, and there were several changes to incorporate comments received from the public and county assessors. There are substantive changes throughout these rules, and, as previously stated, this review complies with the Governor's Executive Order and fixes those areas that were not in compliance with statute.

Commissioner Woods thanked Mr. Dornfest and his staff for all the work done to make these changes. He noted the Commission received letters and comments for consideration today about the Rule 407 changes. He asked about the most recent Board of Equalization and the 4-R Act adjustments that were allowed for operating properties this year. Mr. Dornfest replied explaining the difference in processes for county assessments and railroad assessments. Commissioner Woods noted that ultimately if the Commission wants to question the results of the work, or the methodology used, they can. It seems that even without the changes to Rule 407, the Board of Equalization can ask counties to appear before the Board. Having information is important to make those decisions.

Chairman McCray moved to adopt Docket 35-0103-2301, accept the change to proposed language in Rule 217; accept the change to proposed language in Rule 510; accept the proposed language, as published, in Rule 407.06; and accept the change to proposed language in Rule 407.09. Commissioner

Woods seconded the motion. Commissioner Moyle asked what is being excluded. Chairman McCray said the proposed changes in Rule 407.06 would go back to the language that was published in the original bulletin in September 2023. The proposed changes the Commission was asked to consider were to change “parties” to “participants,” add the language “is a party to the hearing and,” and in section d., “County. Any affected county that wishes to participate in any hearing may provide testimony.” The Commission would not accept that language. The language, as published, would continue with “parties,” petitioner would remain petitioner and in section a. it would remain “Petitioner. A person petitioning for a hearing will be called the petitioner.”

Chairman McCray asked Ms. Young to conduct a roll call vote: Commissioner Zwuygart voted aye; Commissioner Woods voted aye; Commissioner Moyle voted aye; Chairman McCray voted aye. Docket 35-0108-2301 Property Tax Administrative Rules were approved as amended.

Resolution 23-05: 2024 Stumpage Values

Rod Brevig, Tax Commission Forrester, was recognized to present Resolution 23-05: 2024 Stumpage Values. Before he began, Commissioner Woods recognized Mr. Brevig’s 37 years of service to the state of Idaho and congratulated Mr. Brevig on his impending retirement. Mr. Brevig thanked the Commission for the recognition. Mr. Brevig said he’s enjoyed working as a Forester for the Tax Commission because he works all over the state working with all kinds of people doing something he loves and it’s always dynamic. Things can change dramatically over a short period of time.

Each year, he develops a schedule using information provided by the Department of Lands to value stumpage which is the value of a tree as it stands in the woods. From that schedule, the yield tax is determined for each year. It’s important also in establishing forest land values. In 2020, legislation passed that requires the use of an indexing system that is dependent upon the stumpage values to determine how they change from year to year.

Mr. Brevig noted these values were distributed to stakeholders and he received some verbal responses, but they had no recommended changes. He anticipates the values presented today are acceptable and he encourages the Commission to approve these stumpage values for 2024.

Mr. Brevig reviewed the forms presented to the Commission and the zones in Idaho with the values for the species in those zones. He’s also provided an estimate of where forest land values will likely be next year and a history of where forest land values have been over time for comparison. In the 1990s, stumpage values increased because the Forest Service stopped selling trees. As a result, owners of trees received a windfall and that was expressed in the valuation model, causing forest land values to go up very high. Concerned individuals went to the legislature because of that, and he was then required to lower forest land values by 7% per year over the course of the next five years. Then there was a return to a model that increased values for a period, then the Great Recession occurred and there was a compromise with the Committee on Forestland Taxation Methodologies (CFTM) that provided a floor for values. They returned to a model that was trending high which was unacceptable and led to the 2020 legislation that required the indexing system he referenced. Since that was implemented, the changes are muted because he is limited to a 5% change per year.

Commissioner Woods moved to approve Resolution 23-05: 2024 Stumpage Values. Commission Moyle seconded the motion. Chairman McCray asked Ms. Young to conduct a roll call vote: Commissioner Zwuygart voted aye; Commissioner Woods voted aye; Commissioner Moyle voted aye; Chairman McCray voted aye. Resolution 23-05: 2024 Stumpage Values was approved.

Chairman McCray echoed Commissioner Woods’ comments and thanked Mr. Brevig for his many years of dedicated service, saying his shoes will be impossible to fill. He has provided a great service to the state. Chairman McCray further acknowledged that not only is Mr. Brevig retiring, and that this will be his last presentation before this group, there are several others that have many years of dedicated service to the Tax Commission that will be retiring this fall. Unfortunately, the list is too long to give them all individual recognition today. He wants to acknowledge everyone that has earned the right to retire, and he wishes them all the best.

There are no other action items requiring a vote.

Administrative Reports

John Bernasconi, Chief Operating Officer

Mr. Bernasconi will be providing updates for Operations, Appeals, and Audit today. Mr. Bernasconi welcomed Commissioner Woods to his first Quarterly Business Meeting.

The semi-annual Employee Meeting was held last week, on October 19. This is the second time the employees have led the meeting, and the feedback has been very positive. He recognized and thanked the group that developed the ideas and helped to deliver good content. He appreciates everyone.

There haven't been many legislative requests yet, but we are ready. The agency is currently working on the Empowering Parents program. Last year, the legislature and the Governor continued the program, so the Tax Commission is meeting with the state Board of Education and the vendor, Odyssey, to help facilitate the validation process. Statute requires the Tax Commission to validate the adjusted gross income (AGI) because they fall into different waves. Together, they're building a system to do that.

The Tax Commission remains focused on strategy. Strategy is what we do and how we do it. This year, the Commissioners and Leadership Team developed three critical success factors – those things that must be right – to deliver on the mission, vision, and values. Those things we must do are: Retain, Develop, and Recruit Great People. We understand that our ability to deliver customer service 100% depends on our ability to hire, develop, and retain great people. That team identified three action items. Develop and implement an agency-wide training program, improve internal communications, and expand hiring lists. The second critical success factor is to Improve Customer Interactions. That team identified action items including making the taxpayer access point (TAP) better. It's one way people can interact with the Tax Commission. Expand self-cure options. Allow taxpayers – our customers – as many opportunities as possible to solve their problem without intervention. Improve customer first contact. If we touch them, regardless of how, we need to make sure that first contact gives them the opportunity to resolve their problem; that it's clear, understandable, and makes sense. The third critical success factor is to Implement Operational Excellence (OE) in our process. We must continually improve. Those action items were to continue OE implementation. It was implemented two years ago and we're in the second third of the implementation plan. We also must update and create standard operating procedures. Operational Excellence is about process, but we must have standard operating procedures, so everyone knows the rules of the game. That is strategy at a very high level. He is proud of the work this team has done. He knows we're getting better because of it.

Chairman McCray commented that he enjoys the Employee Meetings. The last two have done a phenomenal job of providing good information that hopefully people are asking for, but it does it in such a way that it makes it fun and enjoyable. The most important part for him, though, is the visits to the Field Offices. They are part of the group, and we want to ensure they are pulled in and feel they're a part of the team.

He reemphasized his support for the work on operational excellence. This agency has history and knowledge that has allowed us to function extremely well at a high level. But, as we just acknowledged, knowledge is moving on to different pastures, so this process is critical for bringing in new people. It helps us to identify the talent we want to develop and retain and provides a foundation for the work we've been doing so that we can continue and transfer the knowledge to the new hires. He applauds the work and wants to make sure it continues to receive the emphasis and focus it needs.

John Bernasconi on behalf of Kim Wind, Audit Division Administrator

Mr. Bernasconi reported on behalf of Kim Wind, the Audit Division Administrator. Ms. Wind is on the phone; however, she's unable to attend in person. She's asked that he focus on the accomplishments of the Audit Division.

Mr. Bernasconi reported that for the same periods in 2022 to 2023, July 1 to September 30, we closed 4,193 audits last year and 4,407 this year, about 300 more. Recoveries were at \$16.1 million last year and \$13.1 million this year.

The Audit Division continued to assist the Taxpayer Services Unit by answering phone calls to help reduce the backlog. Compliance also helps. Nicki Witt and Kim Abernathy helped Revenue Operations process 480 Idaho Annual Withholding (Form 967) returns to help get through that process. The Tax Discovery Bureau (TDB) and Management Automation Support (MAS) units worked with FAST on completing the business withholding working paper. Staff like the tool because they have information at their fingertips. The Audit Division successfully rolled out several new reporting enhancements over the last quarter. The goal was to create reporting tools that were durable, easier to understand, and accurate. Thus far, the new recoveries and case count cubes have shown they met those objectives. Mr. Bernasconi elaborated on the durability in reporting. One of the things we're trying to build into the reports is durability: a report that is right, consistent, and delivered at the same time, every time; durability matters in reporting. As the Commission knows, to have that as a requirement in a reporting process is really good.

Sales Tax Audit held their quarterly staff training in September. Topics included some house bills, audit best practices, advanced Excel training and an overview of the Contract Desk unit. The Multistate Tax Commission provided Nexus training to Income Tax Audit's multistate team and others within the agency in June. The Management Automation Support (MAS) unit implemented nine audit enhancement projects. Ms. Wind's division is focused on finding the best audits: those audits where it's highly likely that there was a problem in the preparation. When they talk about improvement, that's what they're talking about in the audit process to make sure they're selecting audits that work, and touching taxpayers that will benefit from the education we provide during the process. They implemented an Appeals reporting enhancement and the fraud plan was adjusted for House Bill 715, the bill that expanded the time in which a return can be filed and a credit created.

John Bernasconi on behalf of Lisa Palmer, Appeals Manager

John Bernasconi presented the Appeals report on behalf of Lisa Palmer who is attending the Idaho Society of Certified Public Accountants (ISCPA) Fall training.

There are currently 269 open Appeals cases. So far in 2023, Appeals has closed 395 cases. The average age of an appeal is 194 days. That number was previously higher than 300 days. There is statutory time that builds in a natural delay, so he believes 194 is good.

Steven Wargo joined the Appeals staff in May 2023 and has been a great addition to the team. Frank Pinkney, Jr. recently retired and Jessica Pilot starts in Appeals on October 30.

Evan Sailor, Compliance Division Administrator

Mr. Sailor reported on FAST Collection Services, the enhancement to collections in Gen Tax. Beth Gasseling and Lynn Howard are doing a great job and it's scheduled to be live on November 6, 2023. They've just completed their computer-based training. Demonstrations, including a question-and-answer session, will be held October 25, 2023. They've completed the user guide and the last week of October they will have a test environment available for staff to work in to get a better understanding of it.

They currently have 64,146 open cases assigned to 75 compliance officers. This is no higher than in previous years and is commensurate with growth in Idaho. The outstanding accounts receivable are \$200.7 million, and fiscal year to date, they've collected \$65 million. At this time last year, they'd collected \$64 million, but that included a rebate, so they're actually ahead of last year.

In February, Compliance went live with the third-party outsourcing to Professional Credit Collection Agency. To date, 7,513 cases have been sent to them with a balance of \$52.3 million. As of today, 6,822 cases are live cases; some are inactive because when they transferred them over, the taxpayer is given a 30-day notice letting them know the case will be transferred. Of those 6,822 cases, Professional Credit has closed 292, they've collected \$133,000. We pay them a fee: they receive 17.5% of the tax debt collected and half the interest. Of the \$133,000 collected, they have earned \$19,000 in fees and \$10,000 in interest. That is a success rate of about 3.8%. In talking with other states that use Professional Credit (Montana, Oregon, and Utah), they're at about 8% – 10% success rate. However, their cases are more recent because they've been using Professional Credit for many years. For us, being brand new, we had over 7,000 old cases that were deemed "uncollectable." They were cases that were old and unworkable with no assets identified. We sent those cases to Professional Credit, so 3.8% is pretty good. He anticipates that as they give them more recent cases, the success rate will increase.

Case and Time Management have been their training focus for this calendar year. They call it CODE: contacts, options, deadlines, and enforcement actions. It's a system for them to work because many were doing parts, but not all. This teaches staff to follow through to enforcing. They've recently had all the Compliance Officer 1s come to Boise for training. Mr. Sailor recognized Zak Viker and Kaylea Harrold, who did a fantastic job.

They've had three compliance personnel recently promoted and moved to now work under John Bernasconi's team. That, to him, validates our strategy, that we must retain, develop, and recruit great people. He believes we've arrived there.

Chairman McCray asked Mr. Sailor when the outsourcing began. Mr. Sailor said it was live in February. Chairman McCray acknowledged that it hasn't even been a full year and asked if even though Compliance gave them difficult cases, is the percentage of uncollectible debt going to increase as they have more time with those cases, or will it increase because we give them newer cases. Mr. Sailor said it will increase because of newer cases. Of the 6,800 they have, 6,400 are individual income tax. The goal is that with each year, they will give Professional Credit those cases, which also allows our Compliance Officers to be more successful in the coming year. David Purdue, Compliance Research Analyst, has said that they are most successful within the first 30 – 90 days, up to 98%, but they cannot get there. Hopefully, between Professional Credit and FAST Collection Services, they will get into that window. Chairman McCray said he's pleased that FAST Collection Services is coming in on time and on budget.

George Brown, Property Tax Division Administrator

Mr. Brown reported the Technical Support Bureau is fully engaged in the calculations required for House Bill 292. That's been very difficult; it's the first year and it's doubled the work they do in the budget and levy cycle. The bill truncated the timeline, so they've done a very good job and he's proud of them.

The Education Director, Jeff Middleton, is preparing for an agricultural appraisal class that was designed in-house. But more importantly, Mr. Middleton received a major award from the International Association of Assessing Officers (IAAO) this year. He's on their education committee and was given the President's Award for some of the work that the committee has done over the last year and some of the challenges they've faced. It's a prestigious award and he's very happy for Mr. Middleton. The IAAO is where the appraisal standards are developed and apply internationally.

Property Tax staff were a part of the Western States Association of Tax Administrators (WSATA) meeting this year. The Committee on the Evaluation of Industrial Property has a sub-meeting within WSATA. Four Idaho Property Tax staff attended this year. Matt Virgil, Consulting Appraiser Supervisor, will continue as co-chair of that committee and Mr. Brown is excited about that. They hope to bring more states into that committee.

One of the more difficult things in Property Tax this year has been in the Geographic Information System (GIS) Unit, which is critically understaffed. They had four positions, one of which was ceded to become the Education Director. Of the three remaining, only one is filled: Tyler Rohr, GIS Analyst III, is extremely busy. He's only been with the Tax Commission for seven or eight months, but he is running GIS right now and he's doing a very good job. They've pushed a software engineer over to help him with some annexations. Just before Mr. Brown came into this meeting, he was told they were offering the GIS supervisory position to someone. He's hoping that person can start and then fill the other position. They're surviving right now. There are a couple of newer appraisers in Operating Property who attended the Advanced Income class in Salt Lake City. They both passed with flying colors.

Commissioner Woods said he's only been here three months and the amount of change the Property Tax Division is going through seems remarkable to him. He is constantly amazed at their ability to handle change and to do so gracefully. The Commission has letters from some of the operating properties regarding one of the rules, about how they should only have one adversary. He thought it was unfortunate they characterized it that way. This is not adversarial. This is very difficult work. It's a responsibility the legislature has given us, and we must discharge that duty respectfully. He is impressed with the ability of this staff to deliver courteous and professional work with the added difficulty of having a new commissioner. He thanked the Property Tax Division for their work.

Chairman McCray asked if there has been a Tax Insider (the Tax Commission's internal Share Point site) article about Mr. Middleton's award from the IAAO. Mr. Brown said they haven't yet. Chairman McCray said we want to recognize accomplishments when we can. He also recognized the Rules Committee. When he received the resolution and went through the entire 596 pages of property tax rules, he saw the amount of work that was done to comply with the Governor's ZBR Executive Order. He appreciates how much effort was taken, and he commended the Rules Committee for that work.

Commissioner Moyle added that those rules are a lot of work, but we need to make sure we don't fall behind, to make sure that each legislative session we keep up to date on those rules as we go forward. She knows it's not an easy thing. We don't want to have to do this again. She encouraged them to stay current on the rules. Chairman McCray agreed.

Chairman McCray recognized Mr. Dornfest who said he is very thankful for great staff. Kathlynn Ireland, Property Tax Policy Specialist, has been instrumental as co-chair of the committee. He thanked all his staff, the County Clerks, Treasurers, Assessors, Commissioners, and their staff, and the public. The involvement has been tremendous. The level of interest and willingness to make serious comments was crucial to the process. Commissioner Moyle agreed saying that comments may feel negative, but it shows the process is working. It's difficult and the Commission appreciates the work.

Rick Mascall, Revenue Operations (RO) Division Administrator

Mr. Mascall reported there are about 621,000 refunds this year. It's up about 60,000 from the same time last year, so there's movement indicated in the income tax refunds. He's been with the Tax Commission for three years now and he's using that as the benchmark. He thought it was interesting that it's up 22% from what it was during the whole year of 2021. The amount was also interesting. Looking back to 2021, the amount was \$231 million in refund dollars for the full year. This year, already, it is \$411 million. It's up 77% over 2021. The reason Revenue Operations can process all those returns is because they are focused on training, and building system processes that eliminate the need for human intervention. Tarra Harris, Nickolaus Ritchie, and Kayla Osterhout are leaders in Revenue Operations that have continued to develop the RO Academy which is an operational excellence piece. It's been revamped in how they deliver content.

The income tax returns are over one million: 1,002,646. About 90% are electronically filed. There are several in the mailroom right now, and the filing deadline was October 15. They continue to process those but they're getting through them quickly. They'll know the real number by the end of October. One thing to mention

about the electronic returns: They're at an 8% edit rate. That means that when the information flows in from the IRS, there's something in there that must be reviewed or changed. That's because the system can't fix it, or someone put something in wrong, either data entry or something else. That 8% is down about 2% from what it was at the end of 2022. That is a testament to the systems staff that have fixed many things that people previously did that the system should have been able to do. He's excited to see that progress.

There are currently 131,000 business income tax returns, which is about a 12% increase over 2021. They're at 6,000 returns over what they were last year for the full year. Much of what is currently in the mailroom is likely business returns because they'll continue to arrive. The Idaho Business Registrations (IBR) have been a pain point for the agency, even during strategy. The increase from 2021 forward has not been significant – it could even be slightly lower this year. It's really from 2020 to 2021 when they saw a 24% increase. Their staff, through training and the IBR project (where they automated some things) have been able to maintain the seven-day processing standard, in most weeks.

Each quarter, they review how many active withholding accounts there are and if he benchmarks that to 2021, they're 30% higher now with almost 100,000 permits. The same is true with sales tax. They're about 34% higher, with about 100,000 there. They brought the backlog down significantly and that has been with the aid of Compliance and Audit who've helped them with the 967s and the payments for withholding and some of the sales tax returns. He appreciates the help and it's also part of strategy. He's happy they've been able to get those under control to some degree now. They still have projects for IBRs that need to be initiated when they get through FRED. The same is true for the other returns – withholding and sales. They will try to systematically address some of the issues they're seeing now. Mr. Bernasconi was recognized and asked Mr. Mascall to define FRED. Mr. Mascall said FRED is an acronym that isn't an acronym; it's a nickname for when we roll the new tax season in. We were processing 2022 information, now we must process 2023 information. It's a process to put all the new statutes into the new forms and into the system so it knows what to do. It's a big exercise that begins in April and they strive to end by December 31, at least.

Commissioner Moyle said there have been major legislative changes and two tax rate changes within the same year. That makes things difficult, and it makes sense that the refunds would be going up because of those changes in legislation. She commended Mr. Mascall's team for what they've done. Anytime there are two separate changes, it's difficult. Mr. Mascall thanked Commissioner Moyle and said he'd share that with his team.

Chairman McCray asked if FRED is on track and getting prepared for this upcoming tax season. Mr. Mascall said FRED is ahead of schedule. The IRS should allow us to begin flowing on about the 23rd. The imaging system has been under construction, so they've done a couple of updates on that system and they're confident it will be ready this week.

Chairman McCray said he's glad to hear Mr. Mascall using the PDAA (plan, do, assess, adjust) of operational excellence in training. It's good to know it isn't static, that once these processes are identified, it doesn't mean they're in stone. They will continue to make them better. Chairman McCray noted the IBRs have truly been a pain point, but Mr. Mascall's team focus on addressing that has resulted in a significant improvement and reinforces the significance of training and the importance of operational excellence. He said we don't want to be an impediment to businesses starting up and being successful in Idaho.

Julie Eavenson, Public Information Director

Ms. Eavenson talked about the communication strategy. Her intention was that she'd update that for the agency in August, but with two individuals quitting without notice, and moving everything from her office on the second floor and moving to the call center for two and a half months learning what it meant to work there, she didn't get it done. She's re-set the deadline for December. She hopes to have an update by the January Business Meeting because it's important that we continue to align how employees feel about themselves with how they communicate internally, and how they communicate externally. She's not lost sight of that.

Ms. Eavenson called attention to the website contact form. We are receiving about 1/3 of our messages for tax representatives from the contact form that have information included so they understand who they're talking to and what they need at the beginning instead of emailing back and forth to get the information necessary to be able to answer questions. It's going well.

Accomplishments include moving the call center upstairs. Everyone should be collocated this week. They also have benefited from what Revenue Operations has been doing. She's been sending Taxpayer Service Representatives to the RO Academy where they have the most interactions with taxpayers. They don't do first call resolution because that's not what we do here. We are a customer service organization. First call resolution means all the power is placed into the hands of the individual answering the phone. We know they can't handle a collection case, nor do they know what's going on in appeals, so they have a one-touch approach. The RO Academy trains staff that when a caller asks about a power of attorney, the person answering the phone doesn't need to transfer the caller to processing, they can resolve the call. They are only transferring the more difficult calls to other parts of the agency.

They've instituted a collaboration time for Government Affairs, Call Center, and Taxpayer Services on Tuesday afternoons. They spend that time talking about things that came up the previous week, or things that came up in Leadership about what it looks like to interact with the Idaho Tax Commission; what is the customer experience and how can it be improved. They've begun inviting other members of the agency that can add feedback to help improve customer interactions. Commissioner Moyle thanked Ms. Eavenson for everything.

Chairman McCray said he's excited that Ms. Eavenson's team is working with RO and sharing knowledge and leveraging the best practices going on in the agency; we don't have silos. He expects that will pay dividends in the future.

Lisa Kopke, Financial Executive Officer, Management Services

Ms. Kopke reported that everything her team does functionally, from top to bottom: purchasing, contracts, payables, revenue, everything has changed. Those people have handled so much change over the last few months. They've done it with grace and when they've come into snags, they've pivoted, and they've done it with a positive attitude. She appreciates all their work. She also appreciates the collaborative effort. They've spent a lot of time working with the Legislative Services Office (LSO), the State Controller's Office (SCO), and the Division of Financial Management (DFM) on processes and helping sister agencies navigate some difficult times. Ultimately, this new accounting system will make us all better. She's learned some new functionality and reporting tools that will help manage our budget and save time. She's excited to learn more. They've had some changes to the Gen Tax system with Luma. There are eight related work orders that have been entered. They've opened and closed a total of 23 work orders over the last three months.

Ms. Kopke talked about the Halloween events coming up on October 31. On behalf of the events committee, she's reminding everyone that the employees have a fund to which they donate from their paychecks. That money is used to sponsor employee events. They held a chili feed fundraiser that was very successful. Some of those funds will be used for this event. Management Services has one vacant position.

Chairman McCray asked Ms. Kopke to provide a high-level overview of the comparative report work that is taking place. Ms. Kopke said they've partnered with SCO. There was a meeting yesterday with LSO, DFM, and SCO to talk about the progress on the Comparative Report. We have some system changes that need to be made. We've taken an old system and rolled it into a new system. They don't functionally operate the same so there will be some challenges going forward. They need to make some changes so the reporting tool that SCO has built for us will operate like we want it to. She believes it goes without saying that this agency is full of auditors, and we are diligent on the numbers we provide, and we want to get it right – absolutely – the first time. The goal is to have a preliminary comparative for review tomorrow. They'll put it into the hands of those that can review the numbers and make sure it makes sense and that nothing was missed, then hopefully have something more final by Friday. Chairman McCray said this goes to the durability comment from earlier and making sure the document we

produce has a solid foundation and there is no question about those numbers, where they're coming from or how they derived. We recognize that we might be a little behind, but this is something we must get right. We can't just put out a work-in-progress and open ourselves to errors. He thinks Ms. Kopke knows the priority, but he wants to emphasize that this is important work, and he appreciates the diligence her team is putting into it. It still needs to be a significant priority so we can meet the needs of our citizens and lawmakers.

Commissioner Moyle reiterated that there are many eyes on this in this area. There is potential for criticism, so hats off to what Ms. Kopke is doing. Anytime there are changes, it's sometimes difficult to work through. Just know she appreciates the fact that we're working to get it correct and to do it right.

Mr. Bernasconi was recognized to add clarity around the system changes. Ms. Kopke said "we" earlier, and that means SCO. The Tax Commission identified the gaps in data, and they must resolve them. They've been working very hard to do that. It's not our system. Ms. Kopke has already made the changes in our system to get out what they need. It's now translating it through their system and reporting back to us. The other thing is that the Comparative Report, for this fiscal year, is hand done by the Tax Commission. Glenda Smith is setting up a format and Lisa will manage that process. Starting next fiscal year, Luma will take over the reporting function. We already have it in our plan to ensure that report will look substantially like the one we have now. It won't be the same, because we'll remove the manual process, but it will be substantially similar. It's really been Ms. Kopke's team assisting SCO in getting the changes made to make the data good. Commissioner Moyle said she appreciates the work that's being done, but it's easy to get blamed if anything goes wrong. It's difficult and they are working under stressful situations, but she recommends we continue using the manual procedures for a while because we don't know how it's going to transfer into the new system. We don't want to get ourselves caught. Changing systems is difficult, and it can be easy to throw blame back and forth. The truth is that it requires teamwork to get things done and to have open communication to understand where the difficulties lie.

Rhamona Grabenstein, Human Resource Officer

Ms. Grabenstein thanked the Commissioners for participating in the employee meeting. It shows the teamwork of the Tax Commission. She said getting out into the Field Offices is important. She offered a personal thank you to Commissioner Moyle for bringing an employee's HR issue with Luma to her attention. That issue has now been addressed. Human Resources staff are still learning things. If employees or leaders have issues or concerns with the human resources part of Luma, please reach out to the Tax HR team. One of the benefits of HR Modernization is that while she still supports the Tax Commission, she's also included in DHR meetings where she can voice concerns on behalf of the Tax Commission. Communication has been great from DHR to the HR field staff.

One of the great things about Luma is that she can access reports from her phone so she can get updated numbers for meetings like this. The Executive Branch turnover for Luma doesn't break out temporary employees. The Executive Branch turnover at the end of September was 8.66%; the state Tax Commission was at 6.21%. The goal is to be less than the overall state.

They continue to recruit. They've been to the Boise State University (BSU) career fair last week and they're continuing our partnership with the Idaho Press. They're gearing up for an event on January 17 to bring in Tax Season Temporary employees to help with the spring season. They continue to seek interns during the summer months and are getting the program more finalized. They hired interns this past summer and hope to get some of those same interns again this year. They continue human resource training and today her staff are training Tax Commission supervisors on the health and safety functionality in Luma. They'll learn how to report incidents, when an employee reports an injury or "near-miss" through the Luma system.

The state's United Way campaign is ongoing now. Anyone interested can donate to United Way through October 31. This is also our annual training month. Employees are taking Cyber Security, Respectful Workplace, and Publication 1075 required training, which includes more than just publication 1075.

Mr. Bernasconi mentioned that updating our standard operating procedures (SOP) is important. She is happy to be working with the taxpayer resources unit to have an article published on a Professional Conduct SOP that has been posted on the HR share point page. Also, as part of strategy, they continue education for employees and the Career Mentorship Program has been rebranded to UP, as in upward mobility. The first group is now in their third month of a nine-month program. She's hopeful that as they submit feedback, she'll be able to post articles and garner more participation.

There was a group of people that attended Share Point training. The Tax Commission has two Share Point sites, and this group is part of a committee to gather feedback from employees to determine the best way to deliver messages to staff.

Commissioner Moyle said she's received feedback on the training and words matter. The instructions were terrible. She thought she was supposed to take Cyber Security training, but the name on the course was Social Engineering. They may be related, but those are two different titles, so she wasn't sure she was taking the correct course. She asked Ms. Grabenstein to stress to [DHR] that words matter. She won't hold it against employees for not completing if she can't even figure it out. If they're going to send out training, please ask them to send the right name of the training. Ms. Grabenstein said she'll pass the message.

Chairman McCray shared that Ms. Grabenstein is getting champions for the mentoring program in the Field Offices. Good work.

Aaron Yost, Government Affairs Program Manager

Mr. Yost welcomed Commissioner Woods to his first Tax Commission Business Meeting. Since the legislature adjourned on April 6, 2023, his team has been busy with a cross-functional group taking all the bills that passed that had some impact on the Tax Commission to compile and create the 2023 Statute Administrative Report. Today, there were several comments made about training or addressing new bills and this report will help guide and direct that throughout the agency. They are also in the "Assess" portion of PDAA (plan, do, assess, adjust) which is great. This is the first full year of implementation for this report, and they've learned some great lessons so they're looking forward to streamlining it for the next legislative session to make it more useful.

Rules are a big part of what his team does. To that end, they've been involved in several outreach opportunities. The Government Affairs Team is participating in the Idaho Society of Certified Public Accountants (ISCPA) Fall Tour today. They participated in the Spring tour earlier this year in June. The Tax Commission has a great relationship with the ISCPA and he's happy to be presenting alongside them.

They've also been active and participating with the Idaho Association of Tax Consultants for the National Association of Taxpayers. They've been providing classes and training on different small business and parent/teacher association related training on how to manage their situations.

The Government Affairs team has welcomed Philip Johnson who started with the Government Affairs Team on April 17. He's been a great addition and has taken over the Sales Tax Research Specialist position.

Most of their events are upcoming, but one of the biggest is the Legislative Outreach Tour. The Tax Commission has been an active participant in the past and we've taken the opportunity, and the vision of being customer oriented, to take the lead organizing the outreach event and bring in multiple agencies to participate. These meetings will take place throughout November and include the Commissioners and the Field Office Managers throughout the state.

Chairman McCray said the legislative report is more than just a report. During the short time he's been with the agency, he knows the work was taking place, but this feels more structured, more methodical, and involves more team members which translates to more confidence from the Commissioners: that we're actually looking at

the legislative work that took place and how it's to be administered. Continue that good work and thank you to the team for taking the effort and detail to make sure we properly administer those new legislative initiatives.

On the legislative tour, he knows it's a bit of a different approach than in the past, but in the spirit of Operational Excellence and continuous improvement, he's very excited about it and particularly that the Field Office Managers are participating. Making and having those local contacts is important. He looks forward to how this event unfolds and the feedback we will receive. Mr. Yost thanked Chairman McCray and said the appreciation also goes to Mr. Bernasconi, Mr. Sailor, and our teams for helping to incorporate them into our event.

Reports on Rules Committees

Mr. Shaner said this was covered earlier during this meeting. The teams have been the Mine License and Property Tax rules that were heard this morning. The chapters scheduled for the zero-based rulemaking were these two. That is the culmination of those projects. The others are just beginning. Commissioner Zwygart said the Sales Tax group has been having meetings and have designated sub-committees. They are trying to be ahead of the game because in Sales Tax, if you change one word, it changes many other things. The Sales Tax Committee is very active already so they're ready when that is due. Chairman McCray noted that rules chapter is almost as comprehensive as income tax or property tax. Commissioner Zwygart said yes. They've begun removing examples and redundancies. They're trying to make sure it's clear, so that when someone reads it, they don't need to have a high level of intricate knowledge.

Commissioner Moyle said she appreciates that we're following our constitutional duty and keeping the rules as low-level and easy to understand as we can.

Mr. Shaner said the other chapter that will be reviewed is Cigarette and Tobacco. Those rules will have several paragraphs and statements combined to compress it by about half, primarily because of how it's laid out, then go through the zero-based rules process. They must be careful with that because of the Master Settlement Agreement. The Tax Commission works with the Department of Health and Welfare and Consumer Affairs on the Cigarette and Tobacco Tax Rules, so the Consumer Affairs deputy attorney general has agreed to review what we choose to do with those rules to ensure everything is compliant with the Agreement. Chairman McCray thanked Mr. Shaner for that information.

Other Business/Public Comment

There was no other business, nor public comment.

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. Chairman McCray asked Ms. Young to conduct a roll call vote: Commissioner Zwygart, Commissioner Woods, 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 January 23, 2024, at 9:00 a.m. Chairman McCray adjourned the meeting.

Maria Young, Secretary

Jeff McCray, Chairman