

IDAHO STATE TAX COMMISSION

COMMISSIONERS' OPEN MEETING MINUTES OF MEETING NOVEMBER 3, 2017

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

Guests: Jack Lyman representing Idaho Housing Alliance

Public Session

Commissioner Tom Katsilometes convened the open meeting and welcomed all those in attendance.

Presentation of Certificates of Service

James Pendergrass, Human Resources Performance Development Specialist, acknowledged the employees receiving a Certificate of Service. Mr. Pendergrass stated how much their combined total of 70 years of state service is appreciated. The Certificate of Service recipients in attendance were: Sherry Briscoe, Program Specialist, Taxpayer Resources – 5 years; Cheryl Parker-Hall, Tax Compliance Technician, Boise Field Office – 5 years; David Perdue, Research Analyst, Collection Division – 10 years; Annette Hoy, Technical Records Specialist 1, Sales Tax Support – 15 years; April Kooch, Tax Automated System Specialist, Management Automation Support – 15 years; and Scott Grothe, Research Analyst, Principal, Management Services – 20 years.

The Commissioners expressed their congratulations to all the recipients and fellow employees who came out to support them, and how much they appreciate all of their hard work.

Business Requiring Vote of the Commission

Minutes: Open Meeting – October 11, 2017

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

Resolution No. 17-11 – 2018 Idaho State Tax Commission 2018 Proposed Rules

Cynthia Adrian presented Resolution 17-11 to adopt the Idaho State Tax Commission 2018 Proposed Rules. Ms. Adrian said this resolution contains our rules docket. She said these have been published in the bulletins and are ready for approval. Commissioner Werk asked how many of these rules were negotiated. Ms. Adrian said the majority of them were negotiated rules. Commissioner Werk said he assumes the rules that were not negotiated were essentially administrative or clerical changes and Ms. Adrian confirmed that is correct. Jack Lyman commented that on Wednesday he met with Tax Commission staff and was notified yesterday that the changes they had discussed had been adopted and will be presented. Mr. Lyman said he has

not seen the draft that is before the Commission now, and asked if Rule 48 has been modified. Ms. Adrian said yes, that Rule has been changed and will be adopted as changed. Mr. Lyman added that earlier in the year he was involved in negotiated rulemaking and he has continued to get notices about negotiated rulemaking which he had assumed was on the previous property tax rule. He said it was not Tax Commission staff's fault that he came into this process on the sales tax rule late and he appreciates their willingness to work with him. Commissioner Roberts said he appreciates Mr. Lyman's comments and noted that Mr. Lyman had some very high compliments to our staff recently. Commissioner Roberts moved to approve Resolution 17-11 adopting the Idaho State Tax Commission 2018 Proposed Rules, and Commissioner Werk seconded the motion. All voted in the affirmative and Resolution 17-11 was adopted.

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

Administrative Reports

Collection, Debbie Coulson

Debbie Coulson had no report.

Public Information, Taxpayer Resources, Renee Eymann

Renee Eymann, Public Information Officer, had no report.

Revenue Operations, John Bernasconi

John Bernasconi had no report.

Management Services, Mark Poppler

Mark Poppler reported that there are now ten districts that have had a portion of their revenue share withheld because they are not in compliance with the annual reporting requirements for taxing districts established by the legislature two years ago. These rules went into effect about a year ago for filing and registering their entities with the Controller's office. The total amount we are withholding cumulatively is about \$24,000 with about \$18,000 being new this quarter. Mr. Poppler said the largest two districts that have some withholding are Bear Lake Fire District and Lewis County Central Highway District. He said we expect those entities to make an effort to become compliant once they realize they are being penalized.

Mr. Poppler said in the month of October we caught up the STARS program. We had gotten to the end of the claim for the second developer however since there is a phase two on that project that was approved by the Transportation Department, we did a catch up entry in October. Mr. Poppler said we withheld 60% (which is about \$2.5 million) that will be in the fund until we receive a claim from the developer.

Mr. Poppler reported that GenTax Version 10 is going live a week from today, IT and Fast will be working over the weekend as well. All of the testing is basically done and the significant problems have been resolved. Mr. Poppler did hear a warning this morning from his infrastructure team that they are having slowness in the new production servers and do not have a solution for it yet. They are hoping to resolve the issue over the weekend, however if it does not get fixed it could be a showstopper for the conversion. Ms. Coulson noted that there are still some difficulties with the analytics model and they are manually moving accounts until it is resolved, so it is not a showstopper. Mr. Poppler also reported that James Hartwell, who has been the main contact with Fast, will be replaced by Chad Curtis. Mr. Hartwell will be her until December 15. Commissioner Werk asked Mr. Poppler to pass

on the Commissioners' appreciation to everyone working the holiday weekend to get the conversion up and running.

Commissioner Werk asked for an update on the Windows 10 changeover. Mr. Poppler said there is a meeting today to review the draft conversion plan. Commissioner Werk said he is assuming as part of that plan that all of the operating units are being brought in to discuss whatever specialized programs they are running. Mr. Poppler said that is part of the plan and efforts have been made to obtain that information. Mr. Tilley noted that they have identified some issues of compatibility of existing software with Windows 10, meaning we may have to upgrade some software to be compatible with Windows 10. There was also a follow up discussion about how taxing districts are notified about the revenue share being withheld for being out of compliance. Mr. Poppler will follow up on the process and report to the Commissioners.

Tax Appeals Manager, Michael Chakarun
Michael Chakarun had no report.

Audit Division, Randy Tilley

Randy Tilley reported there are 309 returns that have been stopped for identity theft or fraud in the amount of \$521,483. They have sent out a number of identity verification letters over the last few weeks, primarily because of the fall tax drive. Last week 248 letters were sent out and 132 of those were identity theft quiz letters. Mr. Tilley said they have sent out 30,565 initial identity verification contact letters and they have also sent out approximately another 10,000 letters to follow up from mail they received back.

Mr. Tilley reported that through the month of October, they have completed 6,506 audits and recovered \$12,988,627. As far as the types of audits they are doing, CP2000, individual non-filers, and federal changes are the big areas. As far as any trends they are seeing, they are noticing a little uptick in the area of retirement benefits contributions. Mr. Tilley reviewed the qualifications for this benefit and noted instructions are available to identify specifically if a taxpayer does or does not qualify for the retirement benefits deduction. Commissioner Werk asked if it is a big enough issue to look at targeting education for this demographic. Mr. Tilley said they have mostly seen it with self-filed returns and there are ongoing discussions regarding education with the Taxpayer Resources Unit. He said more specifically he thinks it comes down to individuals having sufficient information if they read the instructions related to retirement contributions.

Property Tax Division Administrator, County Support, Steve Fiscus
Steve Fiscus had no report.

There were no more administrative reports.

Reports on Rules Committees

Property Tax Rules – Committee Chair, Alan Dornfest

Alan Dornfest, Property Tax Rules Committee Chair, was not present. However, Steve Fiscus noted that Rule 612 was not part of the docket in today's resolution. It is on the docket for approval at the November 20, 2017 open meeting.

Income Tax Rules – Committee Chair, Cynthia Adrian

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

Product Tax Rules – Committee Chair, Don Williams

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

Sales and Use Tax Rules – Committee Chair, Leah Parsons

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

There were no more rules committee reports.

Other Business

There were no items of other business.

Public Comments

Commissioner Katsilometes asked if the guests in attendance had any comments.

There were no public comments.

Executive Session

Commissioner Roberts moved to go into Executive Session with its legal counsel pursuant to Idaho Code § 74-206(1)(f) to discuss the current status of litigation to which the Commission is a party. Commissioner Werk seconded the motion. A roll call vote was taken by Kelly Martinez, Administrative Assistant and Commissioners Roberts, Katsilometes, and Werk all voted in favor and the motion passed.

The Commission met in Executive Session with its legal counsel pursuant to Idaho Code § 74-206(1)(f) to discuss the current status of litigation to which the Commission is a party. No matters requiring a vote of the Commission resulted from the Executive Session.

Public Session

After returning to open session, Mr. Fiscus commented that after looking at the City of Middleton's L2 form, they did not take their maximum budget this year. This is after the City's potential litigation last year dealing with annexation. There being no further business, the meeting adjourned.

Kelly Martinez

Tom Katsilometes