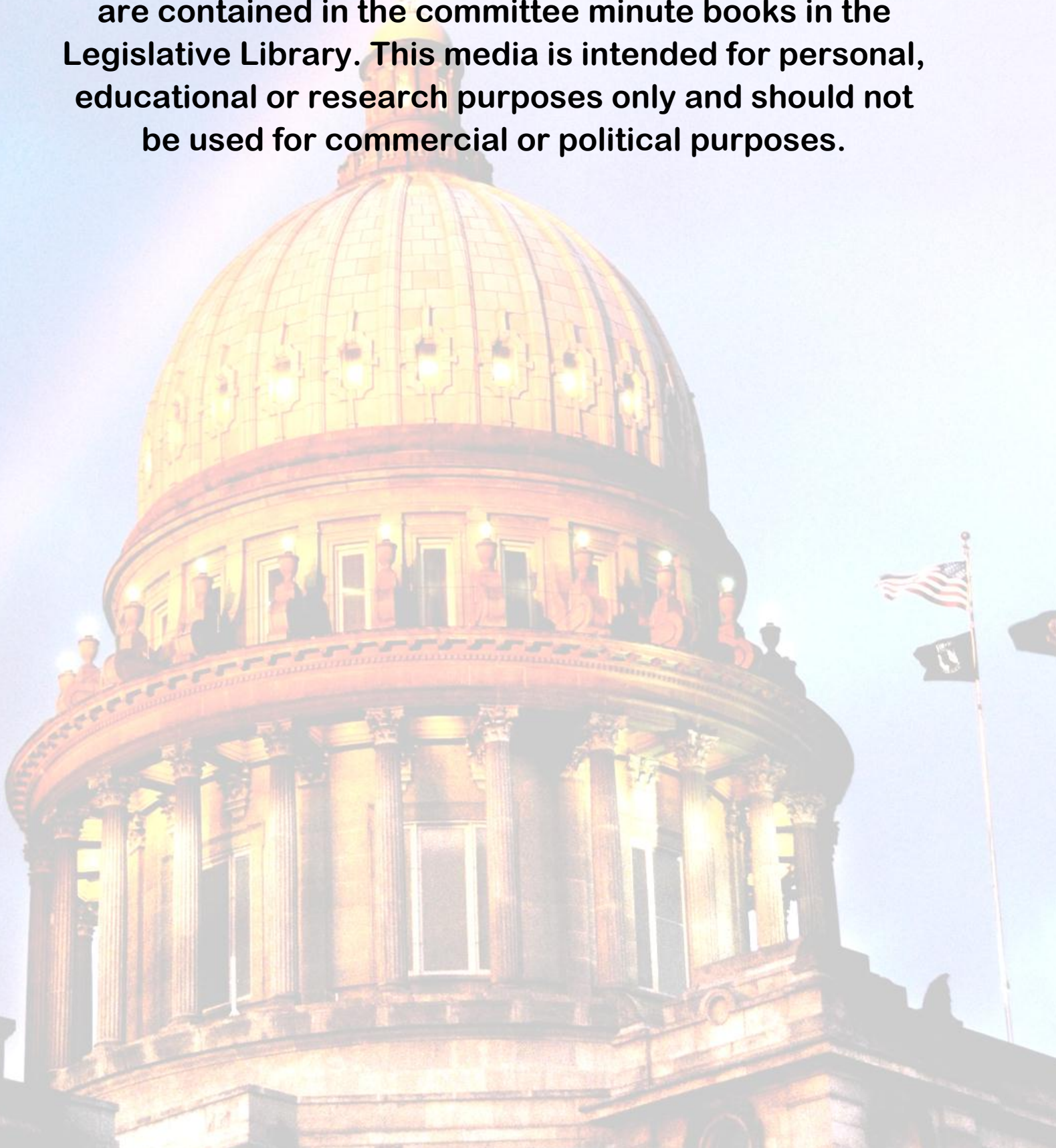


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JFAC COMMITTEE MEETING MINUTES

2/12/13

The hearing was held in Room C310, Statehouse, commencing at 8:00 a.m. and concluding at 11:08 a.m. with Chairman Bell presiding.

Roll Call:

Senators: Cameron, Keough, Mortimer, Vick, Nuxoll, Johnson, Bayer, Thayn, Schmidt, Lacey

Representatives: Bell, Bolz, Eskridge, Thompson, Gibbs, Stevenson, Miller, Youngblood, Ringo, King

Absent/Excused: None

Staff present: Bybee

Others Present: Steve Fiscus, State Tax Commission

DEPARTMENT OF COMMERCE

Presenter: Jeffery Sayer, Director

- ❖ Introductions
- ❖ Foundation of success
 - Low cost environment
 - Robust workforce
 - Strong infrastructure
- ❖ Project 60 Idaho
- ❖ Idaho Annual exports – 2011, \$5.90 billion
- ❖ 2% Idaho lodging tax FY 2012: \$7.07 million
- ❖ State grants deployed FY 2012
 - 5 business and jobs grants
 - 15 Gem grants
 - 17 rural Economic Development Professionals (ED pros)
- ❖ Funding levels and number of State Grant Programs charts
 - RCBG
 - GEM grants
 - Small business grants
 - Business & Jobs fund
- ❖ FY 2014 Governor's recommendations
 - Business and Jobs Development Fund: \$3,000,000
 - Recommendation for one-time General Fund transfer
 - Critical tool for recruiting efforts
 - Integration of best practices

- ❖ Performance Metrics Report

DEPARTMENT OF REVENUE AND TAXATION: State Tax Commission

Presenter: Commissioner Rich Jackson, Chairman

- ❖ Fiscal 2012 revenues versus cost of collecting
 - Approximately \$94 raised per \$1 of budget
 - Revenues: \$3.3 billion
 - Cost to collect: \$34.8 million
- ❖ Successes
 - Saved money by using first class mail instead of certified mail to send certain notices;
 - Saved \$104,000 in the first six months of FY 2013
 - On target so will save \$200,000 and about 2,400 employee hours by end of FY 2013
 - Upgraded imaging equipment
 - Modernized IT infrastructure
- ❖ Historical numbers on receipts
- ❖ Focus for FY 2014: Upgrade GenTax (the tax processing system)
 - Three versions behind
 - Upgrade will help
 - Keep taxpayer information safe
 - Fight tax fraud and identity theft

Presenter: Doreen Warren, Administrator, Revenue Operations Division

- ❖ Agency mission
 - Collect 95% of Idaho's revenues (\$3 billion)
 - Administer 17 tax types
- ❖ GenTax was introduced in 2002
 - Current version implemented in 2005
 - Supports the secure processing of \$2.3 million tax returns, payments, and other transactions annually
 - Allow taxpayers to make ACH debit payments
 - Aids in the audit process
- ❖ Problems
 - Software is now three versions behind
 - It takes approximately two years to upgrade a complicated system like GenTax
 - Microsoft and other software companies continue to make changes, the old GenTax system will become more expensive to maintain
- ❖ Risks
 - The risk of system incompatibilities and the inability to maintain security patches will prove insurmountable

- Losing taxpayer accounting system would significantly impact the ability to:
 - Communicate with taxpayers
 - Process returns and payments
 - Distribute revenue
 - Would negatively affect efforts to collect delinquent taxes
- Data security
- ❖ Governor's recommended solution
 - Invest \$5.2 million
 - Ensure the reliability of GenTax
 - Generate benefits for the citizens and state of Idaho
- ❖ Taxpayer benefits
 - Citizens have greater access to control their own accounts through e-service
- ❖ Technical benefits
 - Reduces the risk of depending on 10-year-old technology by moving to a browser-based system
- ❖ Positive return on investment (ROI)
 - Cost of modernizing GenTax (FY14 -15): \$5.2 million
 - Estimated increase in Idaho's base revenues in the first full year of operation (FY16-17): \$2.6 million to \$6 million
 - Improved reporting tools

Presenter: Mark Poppler, Financial Officer

- ❖ Supplemental requests: \$200,000
- ❖ Base adjustment: (\$72,300)
- ❖ FY 2014 budget: \$36,065,100
 - Benefit costs 376,100
 - Inflation 153,500
 - Replacement items 407,400
 - Interagency items 28,000
- ❖ FY 2014 maintenance \$36,271,400
 - GenTax version 9 upgrade 5,200,000
 - State Vendor Intercept Project 72,000
 - Administration of local option taxes 200,000
- ❖ FY 2014 Governor's recommendation \$41,743,400
- ❖ Replacement items: \$407,400
 - Primarily servers and other IT equipment
 - Mail processing equipment upgrade: \$17,200
 -
- ❖ GenTax upgrade: \$5,200,000
 - Improve security by replacing outdated technology with current version
 - 18 to 24 month implementation
 - Substantial additional Web access for taxpayers
 - Increased efficiencies and improved ability to analyze data

- Potential for break-even return after full year
- Cost is 85% General Fund: 15% dedicated funds
- ❖ State Vendor Intercept Project: \$72,000
- ❖ Administration of local option sales taxes: \$200,000
 - Spending authority only
 - City of Ketchum local sales tax
 - Authorized per Idaho Code section 50-1049
 - Commission retains fee equal to cost
 - Utilize existing systems and personnel
- ❖ Fund shift of \$100,000, net zero
 - From federal grant to fuels administration fund
 - Requested by Idaho Transportation Department
 - Fairness issue – all beneficiaries will share in administrative costs
 - Reduction in paperwork and administrative time for both agencies

Presenter: Commissioner Rich Jackson

- ❖ Thanked the dedicated employees for their hard work

Board of Tax Appeals

Presenter: Steve Wallace, Chairman

- ❖ Introduced Board members and staff
- ❖ Mission
 - Part of the Department of Revenue and Taxation, the Board is not a taxing authority.
 - Established in 1969 to be a fully independent and impartial tax tribunal
 - The Board is not subject to the supervision or control of the State Tax Commission
 - Neutrality is critical to provide fair hearings and judicial-like review of contested tax assessments
 - Fairly hear and seek to timely decide contested cases
- ❖ Supported solely through the General Fund
- ❖ The Board travels to locations near the taxpayer to conduct what are relatively straightforward, yet still “due process” hearings
- ❖ For a final decision to be issued, at least two members of the Board must concur in the result
- ❖ Board staff
 - Five permanent, full-time benefitted positions which includes the director
 - Additional personnel include the three part-time board member positions
- ❖ Budget
 - Current funding level for both FY13 and FY14 is estimated to address about 500 appeals
 - Board’s recommended budget: \$485,000
- ❖ Legislative audit findings

- One finding pertaining to the Board's ability to meet a statutory May 1st decision deadline for property tax appeals
- SB 1009 provides certain taxpayers with quicker hearing dates
- Earlier hearings will allow for decision making earlier
- ❖ Board of Tax Appeals 2002 – 2012 Ad Valorem Appeals Filed

ADJOURNED

Maxine Bell, Chairman

Kathryn Yost, Secretary