

Evaluation Report 13-11
December 2013

Assessing the Need for Taxpayer Advocacy

Office of Performance Evaluations
Idaho Legislature



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From the Director

December 3, 2013

Members
Joint Legislative Oversight Committee
Idaho Legislature



Last March you asked us to assess whether Idaho needs taxpayer advocacy. To answer the study question, we looked at direct and indirect indicators of taxpayers' need for advocacy. We initially planned to include statewide trends for garnishments, liens, write offs, and complaints in our analyses, but the Idaho Tax Commission has not maintained this data in a way that allows for analysis.

As a result, we offer recommendations to the commission to improve its data management system. In addition, we recommend that the commission develop more comprehensive, clear, and accessible publications for taxpayers. By implementing these recommendations, the commission can improve its processes for making management decisions and strengthen its working relationship with taxpayers.

In response to our evaluation, the Governor writes that “complex policies and poor accessibility to clear, comprehensive information have created obstacles difficult for many Idaho taxpayers to overcome.” He added that our work to identify those factors “has provided valuable insight as policymakers continue to carefully consider and discuss how best to overcome these obstacles.” The commission, in its response to the evaluation, has outlined plans for addressing our recommendations and has already taken steps toward implementation.

We provide a thorough analysis of federal and other states' taxpayer advocacy models as well as perspectives offered by Idaho tax professionals and commission staff. We hope this research will inform policymakers in their decision of whether Idaho could benefit from an independent taxpayer advocate.

We thank the tax commissioners, commission staff, and tax professionals for their assistance with the evaluation. Responses from the Governor and the commission are included at the end of this report.

Sincerely,

A handwritten signature in blue ink that reads "Rakesh Mohan". The signature is fluid and cursive, written in a professional style.

Rakesh Mohan

Executive Summary

Assessing the Need for Taxpayer Advocacy

Taxpayer advocacy serves as a resource for taxpayers in navigating often complex tax laws. Advocates at both the national and state level serve as a liaison between taxpayers and revenue departments to help ensure taxpayers are treated fairly and their rights are protected throughout the tax collection process.

The presence of a taxpayer advocacy office is not necessarily an indication of a deficiency in the revenue department. Advocates often assist taxpayers who have not been able to resolve their tax issue through the normal problem resolution process or those who are at risk of financial harm.

Clear and Complete Publications Will Help Ensure Taxpayers Understand Their Rights

Idaho's Taxpayer Bill of Rights helps protect taxpayers by ensuring fair and courteous treatment throughout the tax collection process. We found that the commission publications outlining these rights were unclear and incomplete. We also found that neither the bill of rights nor relevant publications were readily accessible on the commission's website. A lack of clear, comprehensive information may create challenges for taxpayers who are unsure of their rights or believe their rights have been violated, particularly in instances where a taxpayer does not have access to or is not using a paid preparer.

We recommend the commission update its publications and make them more readily accessible on its website. Implementing these recommendations will help improve the communication between the commission and taxpayers.



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**In 2012,
69 percent of
Idaho tax returns
reported a
taxable income of
\$25,000 or less.**

**According to
commission data,
43 percent of
Idaho individual
tax returns in
2012 were filed
without the
assistance of a
paid preparer.**

The commission does not have statewide trend data about garnishments, liens, complaints, or write offs.

38 percent of tax professionals responding to our survey graded the commission with an “A or B” in taxpayer advocacy, compared with 72 percent of commission staff.

More Statewide Taxpayer Data Will Improve the Commission’s Ability to Make Well Informed Management Decisions

Our initial evaluation plan included an analysis of commission data in relation to the recent hiring of additional compliance staff for the compliance initiative. We found that although the commission maintains detailed information of individual taxpayer accounts, it lacks the capacity to compile that information in a way that would allow for an analysis on a statewide level.

We recommend the commission improve its data management to identify trends with specific collection and systemic issues. By using readily accessible statewide data, the commission can address additional training needs or necessary changes to policies or procedures.

Policymakers Should Consider Whether Varying Perspectives Warrant the Creation of Taxpayer Advocacy

Without readily accessible statewide data on taxpayer interactions such as appeals, garnishments, or complaints, we were unable to conduct certain analyses that would help inform the decision of whether Idaho needs taxpayer advocacy. However, through interviews and surveys of tax professionals and commission staff, we found that tax professionals and commission staff differed in their views in the following areas:

- Whether Idaho needs a taxpayer advocate

- The extent to which the commission balances the needs of taxpayers against its collection responsibilities

- How well the commission fulfills the role of a taxpayer advocate

We present these differing perspectives, in conjunction with our other findings, for policymakers as they consider whether taxpayer advocacy may benefit Idaho’s taxpayers.

A Wide Range of Advocacy Options Exist

We found that formal taxpayer advocacy offices exist at the national level (the Taxpayer Advocate Service) and in 29 states. Although the overall structure of each office varies, offices generally focus on a common goal of providing taxpayers with assurances that they will be treated fairly and that an independent resource is available when necessary.

In the event policymakers decide to pursue taxpayer advocacy, they should consider organizational and procedural options, such as:

- Whether taxpayers must first meet any eligibility requirements
- Whether the office has the ability to make systemic recommendations
- Whether the office will reside within the Idaho State Tax Commission or somewhere else
- Whether the office will track caseloads and outcomes of its efforts

Acknowledgments

We appreciate the assistance we received from the State Tax Commission, the Board of Tax Appeals, the Office of the Attorney General, Legislative Budget and Policy Analysis, the Idaho Society of CPAs, the Idaho Association of Tax Consultants, and the tax professionals and commission staff throughout Idaho who participated in our interviews and surveys.

Amy Lorenzo and Hannah Crumrine of the Office of Performance Evaluations conducted this study, and Margaret Campbell copyedited and desktop published the report.

Robert Thomas of Robert C. Thomas & Associates and Brad Foltman, former DFM administrator, conducted quality control reviews for the report, and Amanda Bartlett conducted additional research.

Most states with advocacy are located within a revenue department, have some level of independence, are in a state with a taxpayer bill of rights, and track caseload data.

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Introduction

The Idaho State Tax Commission Is Responsible for Enforcing Tax Laws

Idaho Code § 63-105 and § 63-3039 charge the Idaho State Tax Commission with implementing the Idaho Income Tax Act. Four tax commissioners, appointed by the Governor, manage the commission and are responsible for the oversight of its functions and divisions. In fiscal year 2013, the commission was appropriated nearly \$36 million primarily from the general fund and had authority to staff 461 positions in its central office and field offices in Boise, Coeur d'Alene, Idaho Falls, Lewiston, Pocatello, and Twin Falls.¹

In fiscal year 2013, the organizational structure of the commission consisted of four divisions:

1. The Division of Audit and Collections (272 positions) examines tax returns for potential errors and obtains tax returns in cases where a return, which is required to be filed, was not submitted. It also collects payment of unpaid or delinquent tax debt. Central Collections, a bureau within the division, oversees the Taxpayer Services Unit. This unit provides taxpayers with support and education over the phone and serves as a link between the public and the commission.²
2. The Division of Revenue Operations (82 positions) maintains the taxpayer database, processes all tax returns and payments, issues taxpayer refunds, and begins the deposit of money received by the commission.

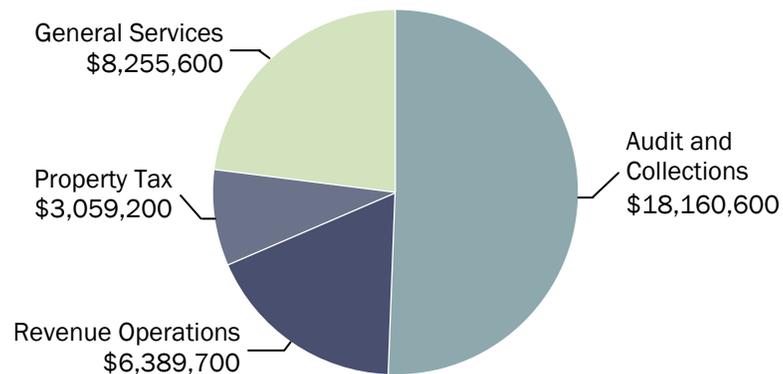
1. According to the commission, it later lost six positions and held a number of positions vacant during various times throughout the 2013 fiscal year.

2. In July 2013, the commission separated Audit and Collections into two divisions. According to commission leadership, the division was split to provide collections staff with their own administrator and make the divisions more similar in size.

3. The Division of Property Tax (37 positions) assists Idaho counties in administering the property tax system and appraises public utilities.
4. The Division of General Services (70 positions) consists of five business units: Legal and Tax Policy, Information Technology, Management Services, Human Resources, and Communications. Legal and Tax Policy handles taxpayer appeals.

As shown in exhibit 1, approximately half of the commission's annual appropriation was dedicated to Audit and Collections, which closely aligns with the agency's total number of staff in that division.

Exhibit 1
The Audit and Collections Division Received Approximately Half of the Commission's Budget in FY 2013



Source: Legislative Budget Book.

A Recent Initiative Focused on Closing the Tax Gap

The tax gap is the difference between tax imposed by law and the actual amount voluntarily paid by taxpayers. According to its 2009 tax gap study, the commission estimated the total tax gap at \$275 million. As part of the study, the commission identified three main causes for the ongoing gap:

Underreporting. On a timely filed return, taxpayers have not reported the full tax liability, such as understated income or overstated deductions or credits.

Underpayment. On a timely filed return, taxpayers have not paid the full amount of tax.

Nonfiling. Taxpayers have not filed or paid returns on time.

In 2010 the commission launched a compliance initiative to help close Idaho's tax gap. The commission was initially appropriated \$1.5 million to temporarily hire more compliance staff, and the Governor directed the commission to use these new staff to collect \$10 million in additional revenue. In fiscal years 2012–2013, the commission permanently filled 64.5 new positions. In fiscal years 2010–2012, the commission collected more than \$55 million, which was in addition to the revenue collected by the commission's general compliance effort.

In our preliminary interviews for this study, tax professionals shared concerns that these new compliance staff were more aggressive in collecting on difficult cases. During the compliance initiative, the commission hired collection specialists and auditors but did not fill any additional supervisory positions. Commission leadership acknowledged that the lack of additional supervisors had created challenges for the commission in providing a level of review necessary for the increase in cases. Exhibit 2 shows the distribution of the new positions.

Exhibit 2 No Supervisory Positions Were Filled as Part of the Compliance Initiative

64.5 new positions were authorized for the compliance initiative, and staff were permanently hired into three divisions of the commission in FYs 2012 and 2013.



Source: Idaho State Tax Commission.

Note: Before July 2013, the divisions of Audit and Collections were one division.

Legislative Concerns About Collection Practices Prompted the Study Request

During the 2013 legislative session, the Senate passed Senate Bill 1103 and Senate Bill 1047.³ During the debate, several senators raised concerns that the collection practices of the commission were too harsh and rigid. After the negative discussion surrounding the passage of both bills, legislators questioned whether a taxpayer advocacy office would better balance the collection efforts of the commission with the livelihood of Idaho taxpayers. The commission supported the study and agreed with the request. In March 2013 the Joint Legislative Oversight Committee assigned us to study whether Idaho could benefit from a taxpayer advocacy office.

A Taxpayer Advocacy Office Assists Taxpayers in Navigating the Tax Collection Process

The federal government and 29 states provide taxpayer advocacy in some capacity. Nationally, the Taxpayer Advocate Service (TAS) works to ensure that taxpayers of federal taxes understand their rights and are treated fairly. TAS offers free help to guide taxpayers through the process of resolving tax problems. At the state level, advocacy offices typically assist taxpayers who have been unable to resolve their issue within the regular channels of problem resolution.

The presence of taxpayer advocacy in a state does not necessarily indicate a deficiency within that state's current process or structure. In many instances, advocacy offices provide taxpayers with the assurance of an independent review or perspective. TAS and some state advocates have the authority to identify and make recommendations to resolve systemic issues affecting multiple taxpayers.

Advocacy offices do not have the authority to bend or waive federal or state tax laws; advocacy offices are intended to help taxpayers meet tax obligations without overriding the decisions of the IRS or state revenue staff. According to the director of the local TAS office, taxpayers are often scared and the advocate's

3. Senate Bill 1103 was a \$200,000 supplemental appropriation to the commission's fiscal year 2013 budget. Senate Bill 1047, which went into effect July 1, 2013, limits the commission's garnishment rate to no more than 25 percent of a taxpayer's wages when collecting delinquent taxes.

role focuses on helping them. This approach differs from the IRS, which is primarily focused on collections.

Significant Data Limitations Altered the Study Approach

We designed our study to answer three main questions:

What is Idaho's current structure for working with taxpayers to resolve issues?

How does this structure compare with the national framework and the structure of other states?

Does Idaho have a need for an advocacy office? If so, what are the options for design and implementation? If not, what other tools are available for the commission to assist taxpayers as they navigate the tax system?

To assess the need for taxpayer advocacy in Idaho, we planned analyses that would look at the relationship among specific variables (number of complaints, total garnishments and liens, appeals, etc.) and the commission's hiring of additional compliance staff. From those analyses, we had hoped to learn more about whether a disproportionate increase in complaints or appeals had occurred after the hiring of new staff. However, several months into the evaluation we identified significant data limitations that prevented us from conducting the analyses as planned. Throughout the report, we discuss these limitations and potential recommendations to remedy them.

Because of these limitations, we developed strategies to meet the needs of the study requestors and the Oversight Committee. Our evaluation included a variety of research methods to better understand commission procedures and policies as well as taxpayer advocacy at the national and state level. Appendix A discusses these methods in detail.

Report Organization

We have organized the report into five chapters.

Chapter 1 is an overview of Idaho's current structure for communicating with taxpayers and summarizes the commission's recent efforts to improve communication and outreach.

Chapter 2 assesses the need for taxpayer advocacy through a discussion of perspectives about the commission from interviews with key stakeholders including commission leadership, commission staff, and tax professionals. The chapter also reports the results of statewide surveys of tax professionals and commission employees, and it identifies significant data limitations of the commission.

Chapter 3 outlines the national taxpayer advocacy framework.

Chapter 4 describes taxpayer advocacy efforts in 29 states and the problem resolution process in states that do not have taxpayer advocacy.

Chapter 5 provides organizational and procedural options for Idaho to consider should policymakers pursue taxpayer advocacy.

Chapter 1

Idaho's Current Structure for Communicating with Taxpayers

Communication between taxpayers and the Idaho State Tax Commission relies on a combination of the statutory framework, commission publications to advise taxpayers of their rights and responsibilities, and the outreach and education efforts of the commission. We found the commission has taken steps to improve customer service and outreach, but the publications that generally accompany these efforts are not consistent in providing taxpayers with clear information about their rights and responsibilities.

The Taxpayer Bill of Rights Defines the Working Relationship Between the Commission and Taxpayers

The commission is guided by statute, which gives it the power to assess and collect taxes. The commission's primary responsibility is to enforce tax laws. As an enforcement agency, the commission adheres to Chapter 40 of Title 63 in Idaho Code, also known as the Taxpayer Bill of Rights. This law serves as the foundation in helping taxpayers understand not only their rights, but also the roles and responsibilities of the commission and the taxpayer throughout the collection process.

Idaho is one of 45 states with a taxpayer bill of rights. In general, a bill of rights protects taxpayers by ensuring fair and courteous treatment when interacting with staff in revenue departments. Our review of Idaho Code found Idaho is different from most states in its bill of rights framework. Rather than explicitly identifying taxpayer rights, statute outlines expectations for the professional conduct of commission staff. In general, each section of code explains how or what staff are permitted to do when collecting tax obligations. For example, Idaho Code § 63-4002 lists actions that *commission staff* are not permitted to take when interacting with a taxpayer but no specific taxpayer rights are given.

Our review of Idaho Code also found that the bill of rights identifies commission rights and responsibilities in addition to

The Taxpayer Bill of Rights is directed toward commission staff rather than taxpayers.

taxpayer rights. The following section identifies more specific information about interpreting Idaho Code and the deficiencies we identified with the commission publications, which are intended to explain taxpayer rights and responsibilities.

Commission Publications Are Not Consistent in Clearly Communicating Taxpayer Rights and Responsibilities

Commission publications combine taxpayer rights with commission responsibilities and processes.

The commission has published two documents to provide additional clarity to the rights and responsibilities outlined in statute: *Audits—Your Rights and Responsibilities* and *Your Rights as a Taxpayer*. The publications are written in a question and answer format about two topics: audits and notices of deficiency. Field office staff noted that these publications are generally included in correspondence sent to taxpayers throughout the tax collection process.

In our review of these publications, we found issues in three main areas—clarity, comprehensiveness, and accessibility. Although both documents offer useful information, neither document provides the taxpayer with a comprehensive, user-friendly list of all of the rights set forth in statute. In some instances, only process-oriented information is provided.

Clarity

Our review of commission publications found the commission lists taxpayer responsibilities, taxpayer rights, commission responsibilities, and commission rights within the same publication. The commission is not alone in combining this information, but other states have separated the information in their publications so each topic is clearly identifiable to taxpayers. For example, the two-page document *Your Rights as a Kentucky Taxpayer* separates in clearly identified headings: taxpayer rights, department responsibilities, protest and appeal procedures, and taxpayer ombudsman information.

Below is an excerpt from the bill of rights and an example of how information could be summarized in a commission publication that separates the rights of the taxpayer from the responsibilities of the commission.

Idaho Code § 63–4002

Any revenue officer communicating with any person other than the taxpayer for the purpose of acquiring location information about the taxpayer shall:

(1) Disclose no information beyond that necessary to identify himself or herself as a revenue officer of the state and to state that he or she is confirming or correcting location information concerning the taxpayer.

(2) Not state or declare that the taxpayer owes any taxes.

(3) Not communicate with any such person more than once unless requested to do so by such person or unless the revenue officer reasonably believes that the earlier response of such person is erroneous or incomplete and that such person now has correct or complete location information.

Summarized Taxpayer Right

The taxpayer has the right to confidentiality in all tax-related communications, including communications between revenue officers and any person other than the taxpayer.

Summarized Commission Responsibilities

The commission will not disclose more information than is necessary, will not declare that the taxpayer owes any taxes, and will not communicate with individuals other than the taxpayer unless they have specific justification to do so.

In appendix B we have listed more of the taxpayer rights found in statute and commission publications to serve as an example of how the commission could present information to taxpayers with more clarity.

Comprehensiveness

We found *Your Rights as a Taxpayer* identifies some taxpayer rights that are not listed in the bill of rights but can be linked to other sections of code. For instance, the right to appeal a decision made by the commission is found in Idaho Code § 63-3049(a). On the other hand, we found not all the rights described in the bill of rights are located in either of the commission's publications, such as the right to make an audio recording of an in-person interview with commission staff. By creating a more comprehensive document that includes all rights, taxpayers will have an easier time determining exactly what their rights and responsibilities are.

Commission publications about taxpayer rights do not include all rights outlined in Idaho Code.

Accessibility

The commission launched a new website in May 2013 that significantly improved the website's structure and appearance. The website is easier to navigate and provides a number of direct links to specific forms and commission publications. However,

The Taxpayer Bill of Rights is not easily accessible to taxpayers.

the new website does not have a direct link to the bill of rights or relevant publications. In our review of other states, we found many states have brochures or publications that explain their taxpayer bill of rights. Many of those publications are easily accessible and located on revenue department websites. For example, the Maine Revenue Services website has a direct link to *Your Rights as a Taxpayer* on its home page.

We located the two publications by searching the commission’s website for the term “taxpayer bill of rights” and searching every commission publication by name. We were unable to locate the exact bill of rights on any of the commission’s webpages and found only a general link back to Idaho Code. A lack of easy access to these documents may create challenges for taxpayers who are unsure of their rights or who believe their rights may have been violated.

Idaho’s Formal Process for Problem Resolution Focuses on Appeals

We reviewed the commission’s organizational charts and manuals to identify a formal, agency-wide process for resolving taxpayer issues. The Taxpayer Services Unit within the Collections Division is the primary point of entry for taxpayers and tax professionals who have questions, concerns, or complaints about a tax liability. Our review of the unit’s manuals did not identify a specific process or flow chart that would allow for an independent review of any problems or issues.

Idaho has a formal process for resolving protests and appeals, but these processes do not address general complaints or concerns, nor are they intended to help a taxpayer understand his or her overall rights and responsibilities. We have outlined these processes in the next few sections.

Commission Protests

Taxpayers have the right to protest the findings of an audit or dispute the amount of tax assessed by the commission. However, Idaho Code § 63-3045 specifies that taxpayers have 63 days to file a protest or the debt “hardens” and cannot be disputed. Within that timeframe, taxpayers may work with an auditor to resolve the issue internally. After a taxpayer submits a written protest, the protest is escalated to Tax Policy and Legal for further review and a final decision from the commission.

Appeals Outside of the Commission

As an independent state agency, the Board of Tax Appeals impartially reviews state and local tax decisions. The board receives appeals from taxpayers who did not agree with the final decision made by the commission. Although the board interacts with taxpayers after an appeal escalates beyond the jurisdiction of the commission, these appeals generally focus on property tax issues, which is outside the scope of our study. According to the director of the board, approximately 90 percent of the board's workload is related to property taxes; of the 1,000 cases it handles each year, the director estimates that fewer than 50 are from the commission. Taxpayers may also appeal a commission decision directly with district court, which is discussed in more detail in appendix C.

Taxpayers can appeal directly to the Board of Tax Appeals or district court.

The Commission Has Taken Steps to Improve Communication and Outreach

When we first met with the commissioners, they said they had focused on outreach efforts in recent years and felt they had made significant progress in working with the public, increasing agency transparency, and improving staff morale. The following sections outline a number of these efforts.

Internal and External Outreach Efforts

According to its annual reports, the commission has been relatively consistent with its external outreach since 2008. Efforts range from participation in low income tax clinics to teaching small business owners how to successfully start their new business in accordance with tax laws. In our review of summary information provided by the commission, we found external outreach generally focuses on three major categories:

- Individual taxpayers and businesses
- Tax professionals
- Community organizations or other state agencies

According to the commissioners, the commission began focusing on internal outreach when it launched its "2 in 2" initiative in 2012. This two-year initiative focuses on increasing public confidence and employee pride after the resignation of its former chair. Under the direction of new leadership, the commission developed this initiative to rebuild public trust and strengthen staff morale.

One of the commissioners told us the commission began taking employee questions at agency meetings and created a new intranet, which includes a process-improvement page. The commission also conducted an employee survey about strategic planning and invited the Governor to attend one of the employee appreciation days.

Despite these efforts, the commission acknowledges it continues to struggle with morale issues. According to one commissioner, the recent criticisms of the commission may be contributing to poor morale. In interviews with field offices, commission staff expressed concern that they are unfairly represented in the media and that former commission leadership has permanently tarnished the agency's reputation. One employee noted the creation of taxpayer advocacy would be another indication that the commission is doing a poor job.

In response to morale concerns, the commission conducted a retreat with commission leadership in fall 2013 and is currently developing its first employee morale survey. According to commission leadership, the commission plans to use the results of the OPE survey to further develop its survey of staff.

Customer Satisfaction Surveys

Throughout the commission, bureau chiefs have the discretion to survey taxpayers to better understand how their staff work with taxpayers and identify areas for improvement. The Sales and Fuels Tax Audit Bureau has used surveys for the past 25 years to assess the level of customer service provided to taxpayers who underwent a comprehensive audit. The Twin Falls and Coeur d'Alene field offices have also solicited taxpayer feedback using satisfaction surveys; however, staff noted the response rates were generally low.

The administrator of the new Collections Division recently developed a survey that all field offices send out when contact is made with a taxpayer. Taxpayers are asked to rate commission employees on overall levels of professionalism and knowledge. The first round of surveys was mailed in August. The commission plans to analyze the survey data in December and use that information to improve training criteria and documentation.

Staff Training

To properly enforce tax laws, commission staff are required to understand and apply those laws. Because of different interpretations of tax laws, disagreements with taxpayers can arise and create challenges for effective communication. Staff

who are well trained in not only tax laws, but also effective communication can help resolve problems and prevent issues from escalating.

We reviewed commission manuals for information on technical training and customer service training and found the manuals varied by division and position. According to leadership, new employees receive on-the-job training by shadowing or observing current employees. For example, new income audit staff must undergo at least 10 weeks of training to become familiar with various state tax laws and commission procedures. Bureau chiefs then determine training for current employees as needed.

The commission hosts training for supervisors and staff that focuses on performance management and cohesive work units. In interviews with field offices, commission staff said this training was helpful in staying current on changes to tax laws and connecting to other commission staff as a resource.

The commission recently purchased a one-year, online training program for staff. The new program, Plato, will formalize training, validate staff training hours, and ensure compliance with federal reporting requirements. Additionally, the training will be developed to focus on the commission's core competencies, which include interpersonal skills, teamwork, and other elements that may be developed later.

**The commission
launched its online
training in
September 2013.**

Tracking Incoming Calls

At the direction of the commissioners, the Taxpayer Services Unit recently began tracking calls it receives to better understand the types of issues relevant to taxpayers. Taxpayer Services, which handles the bulk of incoming calls to the commission, is currently tracking approximately 80 categories and using weekly reports to identify any "hot topics" or issues. These categories are shared with the field offices to help ensure staff are aware of significant or ongoing issues. The long-term plans for the tracking system are not yet known, as the initiative is relatively new and the commission does not have historical data for comparison.

The Commission Does Not Have a Formal Process to Measure the Effectiveness of Its Recent Efforts

In our review of the commission's annual reports, we found the commission did not include the results of its prior efforts. For example, the commission has conducted a number of training sessions with volunteer tax preparers but has not conducted formal or systematic follow-up interviews to learn whether the training was helpful. In terms of assessing the effectiveness of internal efforts, the commission has not collected information on whether its "2 in 2" initiative improved employee morale or public perceptions of the commission. In interviews with field offices, staff were often unsure of the details of the initiative or whether it was an ongoing or prior commission effort.

The commission may wish to consider ways to collect meaningful information on their outreach efforts. By doing so, the commission can better assess the success of current efforts and strengthen future efforts to work with staff and provide education and outreach to tax professionals and taxpayers.

Recommendations

We have provided two recommendations to improve the commission's approach to communicating taxpayer rights and defining the roles and responsibilities of both the taxpayer and the commission. These recommendations are intended to help the commission balance its statutory obligation to enforce Idaho's tax laws with the rights of the taxpayer by revising commission publications and providing more direct access to those documents online.

Recommendation 1.1: The Idaho State Tax Commission should revise its publications to differentiate between rights, responsibilities, and processes. As part of those efforts, the commission should develop a standalone Taxpayer Bill of Rights publication that presents the rights in a consistent format directed to the taxpayer.

Recommendation 1.2: The Idaho State Tax Commission should post the Taxpayer Bill of Rights and relevant publications directly on its website. The commission should also develop a webpage dedicated to taxpayer rights and responsibilities with links to all relevant documents.

Chapter 2

Assessing the Need for Taxpayer Advocacy

Garnishments, appeals, and complaints can be potential indicators that the taxpayer and commission were unable to resolve tax issues through the normal process of filing a return. We found the commission's ability to analyze trends in these types of interactions is often limited or nonexistent. The commission's current structure is designed to address issues on an ad hoc, case-by-case basis, rather than strategically and statewide. As a result, we lacked commission data that may have been helpful in determining the need for taxpayer advocacy.

We conducted interviews and surveys of tax professionals and commission staff and found that perspectives throughout the tax community vary on how well the commission currently fulfills the role of advocacy at both the case and systemic levels.

Statewide Data on Taxpayer Interactions Is Limited

To help determine whether Idaho could benefit from taxpayer advocacy, we met with division administrators from Audits, Collections, Revenue Operations, and Legal and Tax Policy to learn what statewide data the commission used to analyze trends in taxpayer interactions. As shown in exhibit 2.1, we asked the commission for historical data on taxpayer interactions that could provide valuable information on trends in specific areas or changes over time, such as garnishments, liens, appeals, and complaints.

During those meetings, we learned the commission does not track many key data elements within its current data management system, called GenTax, in a way that would allow for statewide reporting. According to the commission, many of these data limitations will be resolved as the commission upgrades the system, which is scheduled for completion in 2015.

The commission's data management system upgrade is scheduled to be completed in 2015.

Exhibit 2.1 Statewide Commission Data Is Often Limited

	Data Provided	Limited or Nonexistent Data
Audit/Collections data		
Collections totals	Yes	
Audits totals	Yes	
Garnishments		Does not exist
Liens		Does not exist
Appeals		Limited
Total personal returns filed	Yes	
Total business returns filed	Yes	
Number of returns prepared by the taxpayer	Yes	
Number of returns prepared by a professional	Yes	
Survey data		
Results from any commission staff surveys	Yes	
Results from any customer satisfaction surveys		Limited
Complaint data		
Number and types of complaints (all years available)		Limited
Resolution timeframes or processing times (all years available)		Limited
Resolution outcomes (all years available)		Limited
Taxpayer outreach or education efforts		
Raw data summarized in annual reports		Limited
Outcomes of advocacy efforts		
Any information available		Does not exist

Tracking Garnishment, Liens, and Appeals Data

Before the summer of 2013, the commission did not track garnishment, lien, or appeal data, including any statewide data on the total dollar amounts collected annually or the average garnishment rate. The commission began tracking appeals data in June 2013, which means there is no statewide historical data on the average timeframe for resolving appeals or the total number of appeals filed.

Statewide data on garnishments and appeals would allow the commission to better identify trends among commission staff

and taxpayers. Without a systematic and uniform process for collecting and retrieving statewide data about these processes, the commission cannot adequately assess whether changes over time are a normal course of business, an indication that staff are treating taxpayers inconsistently, or an indication that taxpayers may benefit from more education and outreach.

Documenting Taxpayer Complaints

The commission does not have a system to track taxpayer complaints. Instead, the commission relies on its GenTax database and an outdated taxpayer comment system. Both systems may contain some information about a complaint, but neither system always provides a complete description of the issue or any resolution.

Commission staff are required to maintain notes in GenTax about interactions with taxpayers. The notes are generally limited to details about a specific transaction and may not consistently provide details about staff interaction with a taxpayer. The notes are also limited to the level and type of information staff choose to input, so the level of detail varies in each account.¹

The commission uses a taxpayer comment system to track a limited number of complaints. The system, created in 2009, is generally used for complaints received by a commissioner or forwarded from the Governor's office. In 2011, staff stopped using the system, citing other commission priorities. One former commissioner suggested the comment system was not created to monitor the outcomes of complaints; rather, the system was designed to prevent taxpayers from reaching out to more than one division at a time.

As a result of these limitations, neither the database on taxpayer interactions nor the comment system could be used to inform a decision about the need for taxpayer advocacy.

Tracking Write Off Information

Staff at various ranks of the commission have some level of delegated authority, including the authority to write off all or part of certain tax liabilities. For example, if the tax liability is less than \$500, a compliance technician has the authority to write off

The commission does not have readily accessible, statewide historical data on garnishment totals or average garnishment rates.

The commission does not systematically track or analyze taxpayer complaints.

1. To supplement taxpayer notes, the commission provided us with access to a sample of e-mails that each division had archived. In reviewing the e-mails, we found that issues ranged from simple procedural questions to complaints about customer service or tax laws.

The commission does not track trends in its use of write offs to resolve taxpayer accounts.

the account. Field office managers have the authority to settle any tax liability less than \$10,000. Idaho Code § 63-3048(b) requires settlements for all tax liabilities more than \$50,000 be approved by a commissioner.

The commission maintains year-to-date information for write offs and can generate reports to review write offs by employee and by division. According to one bureau chief, managers are directed to run reports monthly to review the write off decisions of their staff. However, the reports are not automatically generated, nor are they used to track trends in write offs, either at a statewide level or over time.

Tax Professionals Generally Support Taxpayer Advocacy

We interviewed seven tax professional groups representing the local Taxpayer Advocate Service, the Idaho Board of Tax Appeals, the La Posada Low Income Taxpayer Clinic, the Idaho Society of CPAs, the Idaho Association of Tax Consultants, the Associated Taxpayers of Idaho, and a working group of tax professionals. In some interviews, we specifically asked whether the participant thought Idaho needed taxpayer advocacy. In other interviews, the participants raised the need for taxpayer advocacy first.

With the exception of one participant, each tax professional we interviewed believed Idaho could benefit from taxpayer advocacy. Additionally, several participants identified independence and neutrality as benefits to any advocacy position. Other participants suggested taxpayer advocacy could help educate taxpayers or interpret statute and administrative code for both taxpayers and tax professionals.

Tax Commission Staff Question Whether Advocacy Is Necessary

To gain a balanced perspective on the need for advocacy, we interviewed leadership at the Idaho State Tax Commission, consisting primarily of members of the commission's executive leadership team and its four commissioners. The results of these interviews were mixed: three participants agreed that Idaho needs or could benefit from taxpayer advocacy. The other participants were either unsure or thought taxpayer advocacy was unnecessary. Two participants suggested that the commissioners currently fulfill the role of a taxpayer advocate.

In addition to interviewing commission leadership, we traveled to six field offices and met with staff. Field office staff often did not see the need for taxpayer advocacy, noting they work closely with taxpayers to assist them in resolving problems. Staff also noted that taxpayers have the option to speak with a supervisor if necessary.

Staff in the commission's six field offices were generally *not* in favor of taxpayer advocacy.

At each field office, we described the role of taxpayer advocacy at the national level and in other states. One of the most common questions asked through the field office interviews was how a potential advocacy position would be defined in Idaho. Staff expressed concerns that an advocate might be able to override the findings of an audit or a hardship determination. Staff suggested that any advocacy position would need to be a tax expert and that the addition of taxpayer advocacy could be a potential stall tactic for taxpayers who do not want to pay taxes. Several staff suggested that advocacy could be helpful from a public relations perspective but may significantly slow processing times.

Survey Results Highlight Key Differences Between Tax Professionals and Commission Staff

In light of the diverging perspectives between commission leadership and tax professionals, we conducted a survey of tax professionals and a survey of all commission staff. We received responses from 415 tax professionals and 297 commission staff.² Respondents represented varying types of expertise and years of professional experience. For example, 65 percent of tax professionals reported working in Idaho for more than 10 years and more than half of the respondents listed themselves as a Certified Public Accountant (CPA). Most commission staff (61 percent) had been with the commission for 10 years or less and generally worked in Boise, although we received responses from all field offices.

As outlined in the following sections, the results of our surveys suggest that the commission generally meets the needs of tax professionals, but our findings also indicate the commission may wish to consider ways to further strengthen working relationships. Both tax professionals and commission staff suggested a wide range of improvements, ranging from the

415 tax professionals and 297 commission staff participated in our surveys.

2. Because we do not know the entire population of tax professionals who received our survey, we were unable to calculate a response rate. The response rate for commission staff survey was 70 percent.

addition of a hotline for tax professionals to changes to current forms and processes. The complete survey responses are listed in appendix D.

Changes in Working Relationships

We asked tax professionals and commission staff to indicate how their working relationships with each other have changed over the past three years (2010–2013). We chose this time frame because it encompassed a number of significant events at the commission, including changes in commissioners, an economic downturn that led to the compliance initiative, and the launching of the commission’s own efforts to improve morale and customer service.

More than half of the respondents in each group indicated no change in their working relationship over the past three years. However, 22 percent of tax professionals responded that their working relationship was worse, compared with 7 percent of commission staff. This lack of improvement over time suggests the commission may need to reassess the outreach strategies discussed in chapter 1.

Meeting the Needs of Tax Professionals

As shown in the following table, tax professionals who responded to our survey were overall satisfied with how well the commission generally met their needs. Of the 415 tax professionals responding to our survey question, 62 percent reported they are “somewhat satisfied” or “very satisfied” with how well the commission generally met their needs. Of the 301 respondents who have worked with the commission over the past 12 months to address specific tax issues, 88 percent reported tax issues were generally resolved. These results align with comments we heard in a number of our interviews, which suggests that most problems are satisfactorily resolved and that taxpayer advocacy might be beneficial in infrequent instances where the taxpayer, tax professional, and commission staff are unable to come to a resolution through regular processes.

Levels of Satisfaction	%
Very unsatisfied	7
Somewhat unsatisfied	13
Neither unsatisfied nor satisfied	15
Somewhat satisfied	34
Very satisfied	28
Don’t know	3

} 62%

According to the majority of survey respondents, the working relationship between tax professionals and commission staff has not changed in recent years.

Balancing the Duties of the Commission with the Livelihood of the Taxpayer

We asked tax professionals and commission staff to rate their level of agreement for each of the following statements about commission staffs' interaction with tax professionals or taxpayers:³

1. Encourages voluntary compliance with state laws
2. Enforces state tax laws
3. Collects tax liabilities using fair means
4. Treats the tax professional with respect
5. Provides education or outreach to taxpayers to help them better understand tax responsibilities
6. Balances the duties of the commission with the livelihood of the taxpayer

Commission staff generally rated themselves well on all six statements, with more than 50 percent of commission staff responding with "somewhat agree" or "strongly agree." Levels of agreement were generally lower among tax professionals about their perspective of commission staff.

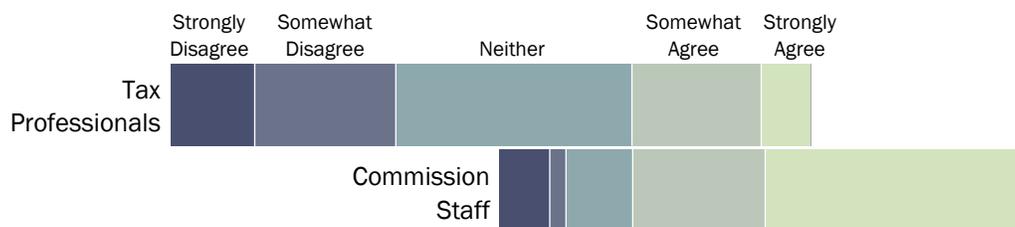
As shown in exhibit 2.2, tax professionals gave their lowest levels of agreement on statement 6, with just 24 percent of respondents indicating they "somewhat agree" or "strongly agree" that commission staff balance the duties of the commission with the livelihood of the taxpayer. On the other hand, 53 percent of commission respondents somewhat or strongly agreed with statement 6. Because this issue was one of the primary concerns outlined in the study request, it is relevant to consider when answering the question of whether taxpayer advocacy could help fill this perceived gap.

Tax professionals responding to our survey rated the commission less favorably on balancing the duties of the commission with the livelihood of the taxpayer.

3. Each of these statements were found either in the Taxpayer Bill of Rights, commission publications, or the study request.

**Exhibit 2.2
Tax Professionals and Commission Staff Provided Different Perspectives on the Balance of Commission Duties**

Tax professionals and commission staff were asked whether commission staff balanced the duties of the commission with the livelihood of taxpayers.



Note: 14 percent of tax professionals and 4 percent of commission staff indicated “don’t know”; an additional 25 percent of commission staff indicated “not applicable.” The total percentages are listed in appendix D.

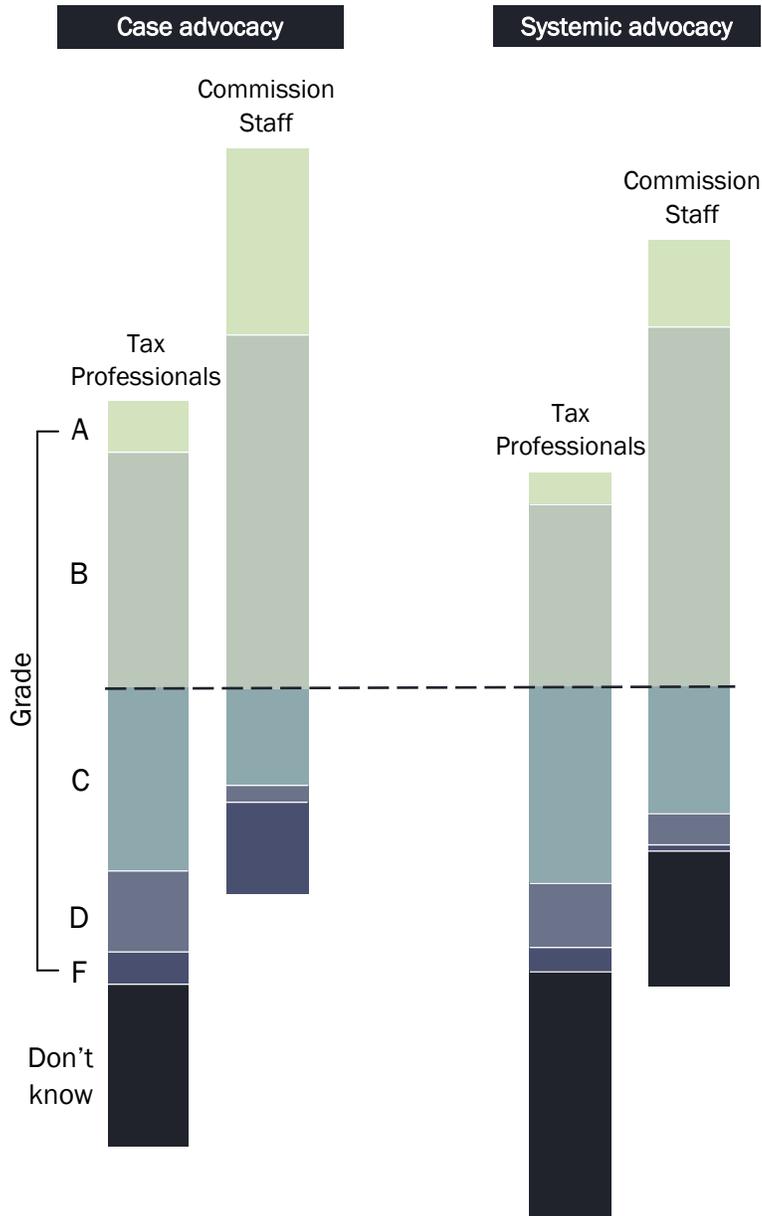
Commission staff graded themselves higher than did tax professionals when asked how well the commission fulfills the advocacy role.

Taxpayer Advocacy at the Commission

Our final survey question asked tax professionals and commission staff to grade the commission on how well it is currently fulfilling the role of taxpayer advocacy, both at the case and systemic level, using a common grading scale of A–F (A=excellent, B=good, C=fair, D=poor, F=fail). Exhibit 2.3 shows the distribution of respondents who selected each grade. Although commission staff graded themselves lower on systemic advocacy than individual case advocacy, their overall perspective of how well the commission fulfills the role of a taxpayer advocate was high.

Exhibit 2.3
Commission Staff Graded Themselves Higher Than
Tax Professionals in Providing Case and Systemic Advocacy

Tax professionals and commission staff assigned a grade for how well the commission is fulfilling the role of taxpayer advocacy.



Lower Income Taxpayers May Benefit from Advocacy

Understanding more about Idaho taxpayers will provide policymakers with valuable information as they make decisions about whether Idaho may benefit from taxpayer advocacy. We analyzed the taxable income from 684,760 individual returns filed in 2012. As shown in the table, taxable income ranged from \$0 to more than \$1 million.

Taxable Income Range (\$)	# of Returns
Up to 25,000	472,885
25,001-50,000	106,574
50,001-75,000	50,825
75,001-100,000	23,749
100,001-200,000	22,576
200,001-500,000	6,249
500,001-1,000,000	1,317
More than 1,000,000	<u>585</u>
Total	684,760

69 percent of Idaho individual tax returns fell into the lowest income category in 2012.

Of the total returns filed for 2012, most reported a taxable income of \$25,000 or less.⁴ The commission did not provide a breakdown of returns according to their filing status or number of dependents; however, the 2012 federal poverty guidelines for a family of four is \$23,050.

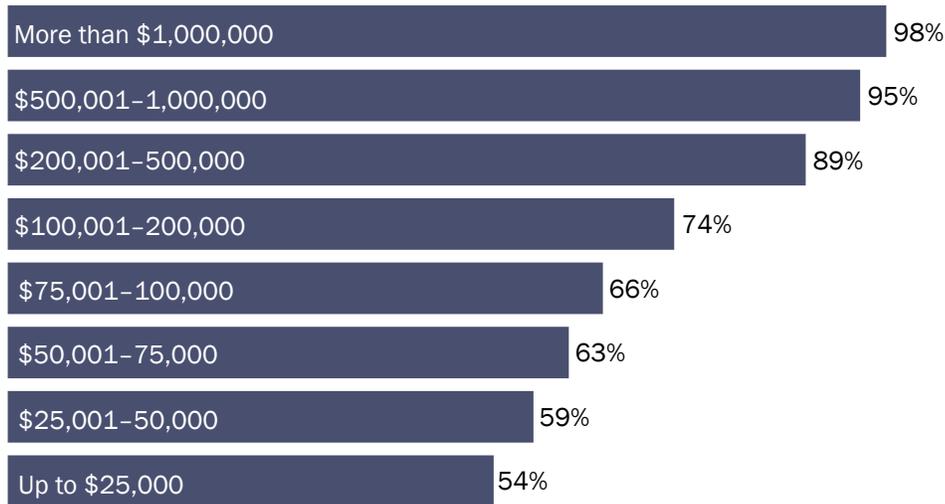
We further analyzed return data to learn how likely taxpayers were to use a paid preparer when filing tax returns. Of the total returns filed, slightly more than half of all returns were signed by a paid preparer.⁵ As shown in exhibit 2.4, taxpayers with higher levels of income were more likely to use a paid preparer when filing their tax returns. Of the total returns reporting \$25,000 or less in taxable income, more than 200,000 of those returns were filed *without* the assistance of a paid preparer.

4. According to the commission, this total is the taxable income reported for each return used to calculate the tax due before any credits.

5. This count does not include returns prepared by friends, family members, or others who may have assisted a taxpayer in filing a return but were not paid.

Exhibit 2.4
The Percentage of Taxpayers Using a Paid Preparer Increased with
Income Levels in 2012

Percentage of Idaho taxpayers using a paid preparer, categorized by taxable income range.



Source: Idaho State Tax Commission, 2012 individual tax returns.

Field Offices Recognize Certain Taxpayers
May Be at a Disadvantage

Although staff in the field offices questioned whether Idaho needs taxpayer advocacy, a number of staff acknowledged that certain taxpayers may be at a disadvantage in resolving their tax problems. In general, field office staff reported that low income taxpayers are more likely to comply with audit findings or notices of deficiency. In contrast, staff noted that higher income taxpayers have access to tax professionals, which affords them with additional expertise to appeal commission findings or make other payment arrangements. Staff also expressed concerns that elderly taxpayers may not always understand their tax obligations and may be at risk for tax-reduction scams. Staff in three field offices also suggested young taxpayers are often ill equipped to file their taxes accurately and could benefit from education and outreach. Several staff suggested a taxpayer advocate could provide educational opportunities statewide.

We asked staff whether the commission had ever recommended that taxpayers obtain professional assistance in resolving their tax problem. A member of commission leadership stated he does not ever recommend taxpayers seek professional assistance, as it is their individual responsibility to understand tax laws. However, we found staff in the field offices were much more likely to suggest taxpayers seek professional assistance when they do not appear to understand tax laws or their tax liability. Staff in one field office said taxpayer advocacy would help fill this communication role, particularly in instances where commission staff are unable to effectively communicate with a taxpayer.

Idaho Has a Framework for Advocacy in Other Contexts

In considering whether Idaho needs taxpayer advocacy, we explored other entities within Idaho that had implemented an advocacy component. We found the role of advocacy can take on a variety of forms and meets the needs of very general to very specific populations. Overall, advocacy serves as both a voice and a resource for individuals who may not otherwise be able to adequately represent themselves.

Public Defenders

Idaho Code § 19-106 allows counsel to represent individuals accused of a crime. If individuals are indigent and cannot afford an attorney, they are appointed a public defender. In Ada County, for example, the mission of the County Public Defender is “to effectively represent indigent persons in serious criminal, mental health, juvenile, and abuse/neglect cases within Ada County. The Court-ordered services provided by the public defender are extended to people who cannot afford to hire an attorney.”

In 1998, the Office of the Idaho State Appellate Public Defender was created because the state recognized that cost of providing appellate representation was placing an unequal burden on the counties. The state office provides attorneys to represent indigent defendants who have been convicted of felonies in state district court.

Court-Appointed Advocates

Idaho has several mechanisms to provide advocacy for juveniles. Under the Child Protective Act, the courts may appoint a guardian ad litem, sometimes called a court-appointed special advocate, to act as an advocate for children through each stage of court proceedings. The guardian is charged with ensuring the terms of the court order are being fulfilled and are in the best interest of the child. According to the Idaho Supreme Court, guardians are appointed by a judge to be “the eyes and ears of the court and help the judge make a more informed decision.”

Ombudsmen

The general role of an ombudsman is to represent the interest of the public by investigating and addressing complaints or violation of rights. In Idaho, ombudsmen serve at local and state levels to resolve issues through recommendations or mediation. For example, the City of Boise relies on its Office of the Community Ombudsman to promote public confidence and accountability of Boise’s police and law enforcement employees through unbiased investigations, independent reviews, policy recommendations, and public outreach.

Ombudsmen also serve specific populations. Idaho Code § 67-5009 created the Office of the Ombudsman for the Elderly, which is responsible for investigating complaints made by or on behalf of residents of long-term care facilities who are 60 years or older. The Ombudsman Program is housed in the Idaho Commission on Aging and addresses issues such as levels of care, quality of life, administration, or staffing.

Recommendation

As policymakers consider whether Idaho needs taxpayer advocacy, this recommendation intends to provide the commission with an incremental and manageable way to work more effectively with the tax community.

Recommendation 2.1: The Idaho State Tax Commission should take steps to improve its current data management in advance of the GenTax upgrade and use that data to help guide agency decisions, including decisions on the new staff training program.

Policy Consideration

The differences outlined in this chapter suggests a disconnect between how the commission views itself and how tax professionals view the commission. These differences are particularly pronounced in three areas:

Whether Idaho needs taxpayer advocacy

The extent to which the commission balances the needs of taxpayers against its collection responsibilities

How well the commission fulfills the role of a taxpayer advocate

Should policymakers determine this disconnect, as well as the other findings discussed in this report, to be a sufficient catalyst in creating a taxpayer advocacy office, chapters 3 and 4 provide descriptions of taxpayer advocacy at the national level and in other states. Chapter 5 provides specific options for Idaho to consider in creating an office.

Chapter 3

Aligning Idaho with the National Advocacy Framework

As policymakers consider whether Idaho could benefit from taxpayer advocacy, this chapter outlines some of the characteristics of the national Taxpayer Advocate Service (TAS) and evaluates how closely Idaho's current problem resolution structure aligns with that framework.

TAS Is Independent of the IRS

TAS identifies itself as *Your Voice at the IRS*. Its goal is to ensure taxpayers are treated fairly and understand their rights. TAS offers free assistance to help taxpayers who have been unsuccessful in solving a federal tax problem on their own. It provides two main functions: (1) case advocacy to assist taxpayers in resolving problems with the IRS, and (2) systemic advocacy to identify areas where taxpayers have problems working with the IRS and offer solutions to change administrative practices through recommendations or legislation.

To help ensure its independent role, the national taxpayer advocate, who leads TAS, submits an annual report to Congress. This report is not reviewed or edited by the IRS, the Treasury, or the Office of Management and Budget. In its report, TAS identifies major problems and makes administrative and legislative recommendations to mitigate those problems.

TAS submits its annual report directly to Congress.

Every state (plus the District of Columbia and Puerto Rico) has a local TAS office. Each office is assigned a phone, fax, and e-mail that is separate from the IRS. TAS staff ensure taxpayers are aware that the advocacy office operates independently from the IRS and reports directly to Congress.

TAS Follows Eight Guiding Principles

Eight principles guide TAS's work. According to TAS publications, the guiding principles provide consistency and focus throughout the agency.

TAS has the authority to critique the IRS and make recommendations for improvement.

1. **Advocacy:** TAS employees must be willing and able to see the situation from a taxpayer's perspective, advocate for the taxpayer's rights, and assist IRS leadership in incorporating that perspective in tax administration.
2. **Independence:** TAS is separate from the IRS, including its chain of command and reporting requirements.
3. **Impartiality:** TAS employees must provide an unbiased assessment of the taxpayer's situation in light of existing tax law.
4. **Confidentiality:** Local taxpayer advocates have the discretion not to disclose to the IRS any contact with or information provided by the taxpayer.
5. **Competence:** TAS employees must have the knowledge and ability to understand taxpayer issues and how to resolve those issues.
6. **Empathy:** TAS places a high level of importance on the understanding of and compassion for the taxpayer's situation and feelings.
7. **Communications:** TAS is committed to engaging in clear and open communications, listening to taxpayers and stakeholders, and educating them about the tax system.
8. **Improvement:** TAS focuses on the pursuit of opportunities to improve tax administration for the benefit of taxpayers.

Taxpayers Seeking TAS Assistance Must Meet Eligibility Criteria

TAS has requirements for providing taxpayer assistance and only works with taxpayers who have specific types of issues. According to TAS, taxpayers must meet any of nine criteria to receive assistance, which fall within four different types of taxpayer assistance.

1. **Economic Burden:** Cases involving a financial difficulty to the taxpayer; an IRS action or inaction had caused or will cause negative financial consequences or have a long-term adverse impact on the taxpayer.

Criterion 1. The taxpayer is experiencing economic harm or is about to suffer economic harm.

Criterion 2. The taxpayer is facing an immediate threat of adverse action.

Criterion 3. The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).

Criterion 4. The taxpayer will suffer irreparable injury or long-term adverse impact if relief is not granted.

2. **Systemic Burden:** Cases in which an IRS process, system, or procedure has failed to operate as intended, and as a result the IRS has failed to timely respond to, or resolve, a taxpayer issue.

Criterion 5. The taxpayer has experienced a delay of more than 30 calendar days to resolve a tax account problem.

Criterion 6. The taxpayer has not received a response or resolution to the problem or inquiry by the date promised.

Criterion 7. A system or procedure has either failed to operate as intended, or failed to resolve the taxpayer's problem or dispute within the IRS.

3. **Best Interest of the Taxpayer:** Cases where TAS acceptance will help ensure the taxpayer receives fair and equitable treatment and the taxpayer's rights are protected.

Criterion 8. The manner in which tax laws are being administered raises considerations of equity or has impaired or will impair the taxpayer's rights.

4. **Public Policy:** Cases where TAS acceptance will be based on a unique set of circumstances that warrant assistance to certain taxpayers.

Criterion 9. The national taxpayer advocate determines that compelling public policy would warrant assistance to an individual or group of taxpayers.

If eligible to receive assistance, the taxpayer is assigned to an advocate who works with the taxpayer until the issue is resolved. In general, advocates listen to taxpayers and help them understand how to resolve their issues.

TAS Tracks Caseloads and Resolutions

TAS relies on criteria for taxpayer assistance; however, the issues TAS deals with each year vary widely. As shown in exhibit 3.1, the top 10 issues in fiscal years 2011–2012 ranged from stolen identities to expedited refund requests.

Exhibit 3.1

The Taxpayer Advocate Service Resolved a Wide Range of Taxpayer Issues in FYs 2011–2012

Issue	# in FY 2011	# in FY 2012
Stolen identity	34,006	54,748
Pre-refund wage verification hold	21,286	18,012
Levies (including federal payment levy program)	15,466	11,419
Reconsideration of audits and substitute for return	11,902	9,344
Open audit (not Earned Income Tax Credit)	21,397	8,885
Processing amended returns	11,578	8,783
Earned Income Tax Credit	8,729	7,441
Processing original returns	11,578	6,250
Expedite refund request	9,386	5,726
IRS offset	6,995	5,298

Source: Taxpayer Advocate Service, <http://www.taxpayeradvocate.irs.gov/About-TAS/Case-Advocacy>, November 6, 2013.

Although TAS tracks caseloads, a 2007 Government Accountability Office (GAO) report found TAS lacked the ability to measure or report case resolutions. For example, TAS did not have a mechanism to measure the overall efficiency or costs associated with closed cases. In addition, the report found TAS was not consistently tracking information that would allow it to determine what actions Congress had taken to address its recommendations. Since the release of the GAO report, TAS has taken steps to improve its data management and track case outcomes.

TAS Assists Taxpayers in Idaho

The local TAS director in Idaho provides taxpayers with impartial, independent, and confidential assistance to resolve federal tax issues. Outside of daily case advocacy, the local taxpayer advocate meets biannually with Idaho's IRS stakeholder liaison and local tax professionals to identify issues impacting local taxpayers. The local TAS director also supports the Idaho Coalition Against Identity Theft, which works to prevent identity theft and is aimed toward elderly and low income individuals.¹

According to the local TAS director, Idaho has two low income tax clinics that receive federal grant monies from TAS. One clinic is associated with the University of Idaho Law School in Boise, and the other is operated by a retired CPA in Twin Falls. Using TAS monies, these clinics offer free assistance to taxpayers who do not have the resources to represent themselves in tax court or pay for return preparation. The advocate noted that the Twin Falls clinic director identified a significant issue for H1A visa holders and the income reporting requirements, which led to a change in IRS requirements.

TAS in Idaho works with two low income taxpayer clinics.

Options for Aligning Idaho with the National Framework

In our review of the TAS framework, we found Idaho's approach to resolving taxpayer problems differs significantly. The process for resolving problems varies within the commission, and staff we interviewed generally resolve problems internally, either by referring the taxpayer through their chain of command or through their direct supervisor. As discussed in chapter 1, Idaho's current process does not allow for an external or independent review of tax problems. In the event policymakers determine that taxpayer advocacy would be beneficial in Idaho, chapter 5 provides a number of options for policymakers to consider.

1. The Idaho State Tax Commission is also a member of the coalition.

Chapter 4

Aligning Idaho with Advocacy in Other States

In addition to the national Taxpayer Advocate Service (TAS), 29 states provide taxpayer advocacy. We found states vary in their approach to taxpayer advocacy and each state is unique. Through the course of our evaluation, commission staff, including the commissioners, were interested in learning more about taxpayer advocacy in other states.

This chapter outlines some of the shared advocacy characteristics among those states. This chapter also discusses problem resolution for states without taxpayer advocacy and evaluates how closely Idaho aligns with those states.

More Than Half of All States Provide Taxpayer Advocacy

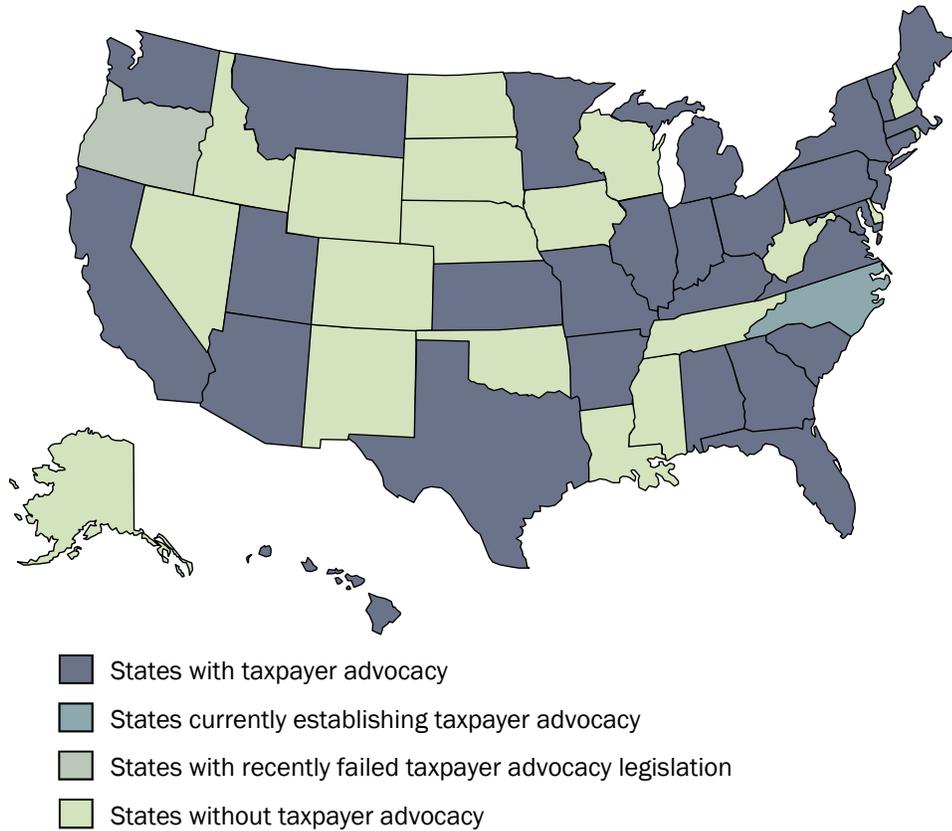
Taxpayer advocacy is not limited to interactions with the IRS; we identified 29 states with taxpayer advocacy and 1 state in the process of establishing an office. Exhibit 4.1 shows those states with taxpayer advocacy. Similar to TAS, state taxpayer advocacy efforts are intended to ensure fair treatment of taxpayers when interacting with the revenue department and to inform taxpayers of their rights. State taxpayer advocates also assist those taxpayers unable to solve tax-related problems through the regular channels of resolution, much like the work of TAS.

As part of other states research, we analyzed median income among all states to determine whether any possible trends existed between income and the presence of taxpayer advocacy. We found median income had no bearing on whether a state offered taxpayer advocacy. We also looked at those states without income tax and found a number of states without income tax have taxpayer advocacy. We concluded that neither median income nor the presence of income tax were clear predictors of whether a state would have taxpayer advocacy.

The following sections provide general information about the establishment, organization, and functions of taxpayer advocacy efforts in other states.

The advocacy states identified themselves as having an office or individual available to assist taxpayers outside of regular resolution channels and to provide assurances of fair treatment.

Exhibit 4.1
29 States Provide Taxpayer Advocacy



Note: Individuals in these states may be referred to as a taxpayer advocate, ombudsman, or problem resolution officer, but all perform similar functions. (Map template is courtesy of Presentation Magazine.)

Similarities Among States

We asked states about the organizational structure of their advocacy offices. Their responses varied, and we found both instances where advocacy efforts aligned among states and instances where those efforts diverged.

We also found each state approaches advocacy somewhat differently, which indicates there is no one-size-fits-all model for providing taxpayers support through advocacy. Although every state varied, we found certain characteristics that occurred more

frequently among all states. The list below provides seven characteristics that occurred most frequently in the 29 states with taxpayer advocacy.¹

The taxpayer advocacy office or position:

1. Was titled taxpayer advocate
2. Was located in a state with a taxpayer bill of rights
3. Was formally established in statute
4. Was housed within the revenue department
5. Was a dedicated position within the department
6. Had some level of independence to make decisions
7. Tracked annual caseload

Appendix E provides a detailed discussion of all the characteristics we identified, and examples of the nuances of taxpayer advocacy in other states.

Outcomes of Advocacy Efforts

Not all states organize data in a way that allowed us to determine the most common tax problems at the state level, but most states track their annual caseload and some report on the specific types and frequency of issues that affect taxpayers. However, not all states track the resolutions or outcomes of their advocacy work, which meant we were unable to determine the types of resolutions that taxpayer advocacy offices most frequently offer taxpayers.

Furthermore, not all states that provide recommendations for systemic change track the implementation of or outcomes associated with each recommendation. Regardless of outcome data, advocacy offices we spoke with stated that taxpayer advocacy is a necessary component of government by providing assurances to taxpayers that they will be treated fairly throughout the collection process.

Data limitations made it difficult for us to determine the overall success or efficiency of taxpayer advocacy efforts in other states.

1. Each of these characteristics occurred in at least 19 of the 29 states. However, not all states shared the same components.

Idaho Is One of Several States Considering Taxpayer Advocacy

Idaho is not alone in considering the need for or benefits of taxpayer advocacy. At the printing of this report, the revenue department in North Carolina was developing a taxpayer advocate position. As part of its effort, the department surveyed 12 states participating in the Southeast Association of Tax Administrators and asked those states how they handle taxpayer concerns. The new taxpayer advocate will address taxpayer concerns and identify systemic problems. Although the advocate will initially work alone, the department anticipates the need for additional staff.

During the 2011 Oregon Legislative Session, a bill was introduced that would have created a taxpayer ombudsman office in revenue department. The bill was bipartisan and had legislative support, but it ultimately failed. A legislative spokesperson told us a similar bill may be introduced in the future.

Although no action has been taken yet, individuals in the revenue department of Rhode Island have internally discussed the addition of a taxpayer advocate. A department spokesperson told us a formal dispute process for administrative issues would be beneficial to taxpayers.

No Best Practices Exist for Taxpayer Advocacy at the State Level

We looked for established best practices or effectiveness studies of taxpayer advocacy at the state level. Our search for studies, literature, or other documentation was unsuccessful. The most comprehensive document we found was a 2012 report published by Vermont. The report listed the taxpayer advocacy offices known to the state, highlighted the efforts of a few northern states, and made recommendations to the legislature. The lack of available information about the effectiveness of taxpayer advocacy efforts in other states makes it difficult to identify any national trends or potential best practices among those states.

Idaho's Current Structure Closely Aligns with States That Do Not Have Taxpayer Advocacy

Our review of other states found Idaho's current structure for working with taxpayers to resolve problems most closely aligns with those states that do not have taxpayer advocacy. In addition to Idaho, 20 other states do not have taxpayer advocacy.² The map on page 38 shows those states without taxpayer advocacy.

With few exceptions, most states without advocacy do not have a formal process to escalate or resolve taxpayer issues. Similar to Idaho, we found 19 states do not have an agency-wide division or position dedicated to problem resolution. North Carolina was the only state that reported having a unit to resolve taxpayer disputes. The new advocate position will build on the current efforts. In addition, three states said they have a formal process in place to address taxpayer complaints or problems outside of the appeal process.

The remaining states use different informal processes or channels of communication to resolve taxpayer problems. Some states reported that their small population or absence of state income tax did not necessitate a dedicated division or formal process to resolve taxpayer problems.

Options for Aligning Idaho with Advocacy in Other States

In the event policymakers determine that taxpayer advocacy would be beneficial to Idaho, chapter 5 provides a number of options for policymakers to consider.

2. Although a 2012 Vermont report identified Colorado, New Mexico, and Oklahoma as having a taxpayer advocacy office, those states are not included in our list of states providing taxpayer advocacy because they did not meet our criteria. These states, however, offer taxpayer assistance that falls somewhere between advocacy and problem resolution.

Chapter 5

Options for Idaho

Throughout our report, we have identified differences in perspectives among key stakeholders as to whether Idaho could benefit from taxpayer advocacy and to what extent the Idaho State Tax Commission currently fulfills the role of an advocate. Chapters 3 and 4 highlight various taxpayer advocacy frameworks, both at the national and state level. Based on these frameworks, the following sections provide questions for policymakers to consider should they decide to establish a taxpayer advocacy office in Idaho.

Organizational Options

Would Idaho benefit from a formal office, division, unit, or single position dedicated to working with taxpayers to resolve problems?

Will the office or position be identified as a taxpayer advocate, an ombudsman, or by another title?

Should the office or position be housed within the Idaho State Tax Commission, within another agency, or as a stand-alone entity?

Should the office or position be formally created in statute?

Will the office or position have some level of independence to make decisions and recommendations on the behalf of individual taxpayer cases?

Will the work of the office or position be guided by a specific philosophy or shared principles?

Will the office or position be a subject-matter expert?

Procedural Options

Should taxpayers meet certain eligibility criteria, such as the duration of an unresolved issue or the risk of financial hardship before receiving assistance from the advocate?

Will the office or position track and report caseloads and case outcomes?

Will the office or position focus on case advocacy, systemic advocacy, or both?

Will the office or position make recommendations to the Idaho State Tax Commission or the Legislature for systemic improvements?

Appendix A

Methodology

To assess the need for taxpayer advocacy in Idaho, we planned analyses that would look at specific variables (number of complaints, total garnishments and liens, appeals, etc.) in relation to the commission's hiring of additional compliance staff. However, several months into the evaluation we identified significant data limitations that prevented us from conducting the analyses as planned.

In light of these limitations, we developed strategies to meet the needs of the study requestors and the Oversight Committee. Our evaluation included a variety of research methods to better understand commission procedures and policies as well as taxpayer advocacy at the national and state level. We used research methods within four categories:

Legal, Policy, and Procedure Analyses

Studied Idaho's Taxpayer Bill of Rights and compared it with other states. Reviewed commission documents related to these rights and analyzed them in terms of readability and comprehensiveness.

Reviewed commission staff manuals, focusing primarily on the areas of performance appraisals, quality assurance, and training.

Compared commission customer satisfaction surveys to identify any trends in responses and to gauge how the commission has used the survey results to improve agency operations.

For advocacy outside the tax environment, identified several state and local agencies that are designed to serve as advocates for vulnerable and indigent populations.

Tax Professional Interviews and Meetings

Interviewed the four Idaho State Tax Commissioners, both individually and collectively for their perspectives on whether Idaho needs or could benefit from a taxpayer advocate.

Interviewed leadership and staff within the commission about agency operations for an understanding of current customer services and outreach efforts. Interviews included staff in the divisions of Audits, Collections, Human Resources, Revenue Operations, and Legal and Tax Policy, and the strategic planning and public information officers.

Traveled to the six commission field offices and interviewed all available staff about the need for taxpayer advocacy.

Met with the executive director of the Board of Tax Appeals and a board hearing officer to learn how the board works with taxpayers and the commission to resolve appeals.

Interviewed tax professionals including the director of the Idaho Society of CPAs, members of Idaho Association of Tax Consultants, the president of the Associated Taxpayers of Idaho, and the director of the La Pasada Low Income Taxpayer Clinic.

Interviewed the director of the local Taxpayer Advocate Service (TAS) office to learn more about how the national TAS works to resolve taxpayer issues at an individual and systemic level.

Surveys

Formed a working group of tax professionals to more closely identify the types of issues that arise during the tax filing process. The results of the working group were used to inform our survey development. We pilot tested the surveys in advance of their distribution with working group participants, the Idaho Society of CPAs, and the Idaho State Tax Commission.

Using an IRS e-mail database of tax professionals with a registered preparer tax identification number, surveyed tax professionals throughout Idaho. We received 415 responses representing 108,321 original tax returns filed over the past 12 months.

Surveyed all 423 commission staff using the distribution list provided by the Department of Administration, and received 297 responses.

Analyzed survey responses from tax professionals and commission staff, identifying similarities and differences among respondents and between respondent groups. See appendix D for more information.

National and Other States Research

Reviewed the structure, organization, and mission of the national Taxpayer Advocate Service by reading agency publications, reviewing the 2007 Government Accountability Office's report on the overall effectiveness of TAS.

Reached out to 49 states through e-mail or phone to determine which states offer taxpayer advocacy. Reviewed publications, policies, and statutes from each state.

- Conducted an in-depth analyses of the 29 states with an existing taxpayer advocacy office. Analyses included a comparison of the size and organizational structure of each office. Offices were also compared according to their level of independence, eligibility criteria for services, and whether the office had the authority to make recommendations for policy change.
- Compared customer service and problem resolution strategies in 20 states without an advocacy office.

Analyzed median income and the presence of income tax among all states to determine if any possible trends existed between income and the presence of taxpayer advocacy.

Appendix B

Taxpayer Rights

Our review of Chapter 40 of Title 63 of Idaho Code found Idaho's Taxpayer Bill of Rights is difficult to interpret. As written, statute focuses on the actions of commission staff when interacting with taxpayers rather than identifying specific taxpayer rights. Statute also combines taxpayer rights with commission rights and responsibilities. We found that commission publications, which summarize certain sections of the bill of rights, lack clarity, are not comprehensive, and are not easily accessible.

To help the commission provide taxpayers with more comprehensive and user-friendly publications, we identified 22 taxpayer rights described in Chapter 40, Title 63 of Idaho Code and in commission publications. We have written the rights in a format that explicitly identifies each taxpayer right, an approach that is common among other states. The list is intended to provide the commission with an example for future publications. The list is not exhaustive and should be used to identify any additional taxpayer rights within its current publications or other sections of statute.

Understanding the Idaho Taxpayer Bill of Rights

Chapter 40, Title 63 of Idaho Code is intended to provide taxpayers with their rights throughout the tax collection process. However, in order to be granted those rights, taxpayers must first file a state tax return as required by law; the bill of rights is not applicable to those who do not file a state tax return. After filing a state tax return, taxpayers are responsible for properly communicating with the commission, as nearly all of the rights require action on the part of the taxpayer. For example, taxpayers have the right to be represented by an authorized representative but only after notifying the commission of the request.

The following list identifies taxpayer rights. Commission rights and responsibilities, although part of the taxpayer bill of rights, are not included in this list. We have limited our examples to

The Taxpayer Bill of Rights also provides commission responsibilities.

only the taxpayers' rights in an effort to provide taxpayers with clear and comprehensive information.

1. The taxpayer has the right to confidentiality in all tax related communications, including communications between revenue officers and any person other than the taxpayer.
2. The taxpayer has the right to notify the commission that he or she will be represented by an authorized representative when interacting with revenue officers.
3. The taxpayer has the right to communicate with a revenue officer at a location convenient to the taxpayer between the hours of 8 am and 9 pm.
4. The taxpayer has the right for his or her representative to communicate with the commission on the taxpayer's behalf, with the exception of notice that the revenue officer
 - a. is terminating efforts on the taxpayer's case,
 - b. may invoke specific actions,
 - c. intends to invoke specific actions.
5. The taxpayer has the right not to receive commission communications at his or her place of employment after notifying the commission of this request.
6. The taxpayer or the taxpayer's representative has the right to be the only person to receive communication from the commission.
7. The taxpayer has the right to end communications with a revenue officer with the exception of notice that the revenue officer
 - a. is terminating efforts on the taxpayer's case,
 - b. may invoke specific actions, or
 - c. intends to invoke specific actions.
8. The taxpayer has the right to be treated respectfully and free from harassment, oppression, or abuse.
9. The taxpayer has the right to receive honest and accurate information about his or her case from the commission.
10. The taxpayer has the right to pay his or her tax obligation free from unfair or unconscionable means of collection.

11. That taxpayer has the right to determine how payment for multiple tax obligations shall be distributed among those obligations, and to ensure no payments are applied to disputed obligations.
12. The taxpayer has the right, after giving advance notice to the commission, to make an audio recording of any in-person interview with a commission representative. The recording will be made at the expense of the taxpayer using his or her equipment.
13. The taxpayer has the right to request permission to make payment installments should his or her account become delinquent.
14. The taxpayer has the right to a guarantee that commission employees are not paid, evaluated, or promoted based on collection quotas.
15. The taxpayer has the right, within one year of a violation, to seek damages against the commission if any commission employee violates the Taxpayer Bill of Rights.

Identifying Additional Taxpayer Rights

Commission publications also identify rights not found within the Taxpayer Bill of Rights. We found that most of these rights are specific to the appeal process. The following list provides a summary of the additional rights found in the commission publications *Audits—Your Rights and Responsibilities* and *Your Rights as a Taxpayer*.

1. The taxpayer has the right to ask that the commission consider canceling penalties if the taxpayer can show reasonable cause for not complying.
2. The taxpayer has the right to file a written protest with the commission within 63 days from the date the determination was issued by the commission.
3. The taxpayer has the right to request an informal hearing with a tax commissioner or authorized representative.
4. The taxpayer has the right to request a written decision from the commission in lieu of a hearing.

5. The taxpayer has the right to receive a formal written decision from the commission.
6. The taxpayer has the right to file an appeal to the Board of Tax Appeals or the district court in the county where he or she lives.
7. The taxpayer has the right to know why the commission has asked for his or her information, how the commission will use that information, and what happens if the taxpayer does not provide the requested information.

Appendix C

The Appeal Process

Although Idaho does not have a formal problem resolution process within the commission, it has an appeal process for taxpayers who wish to protest a deficiency determination. The appeals process begins at the commission and may be escalated to the Board of Tax Appeals or district court. Exhibit C.1 illustrates the process for appealing a deficiency determination.

The Appeal Process Starts with the Idaho State Tax Commission

The commission sends taxpayers a deficiency determination of taxes that are owed. This notice may be issued by either an auditor or a collections specialist. If taxpayers do not dispute the findings, they work with commission staff to pay the debt. Conversely, if taxpayers disagree with the findings, they may protest the determination.

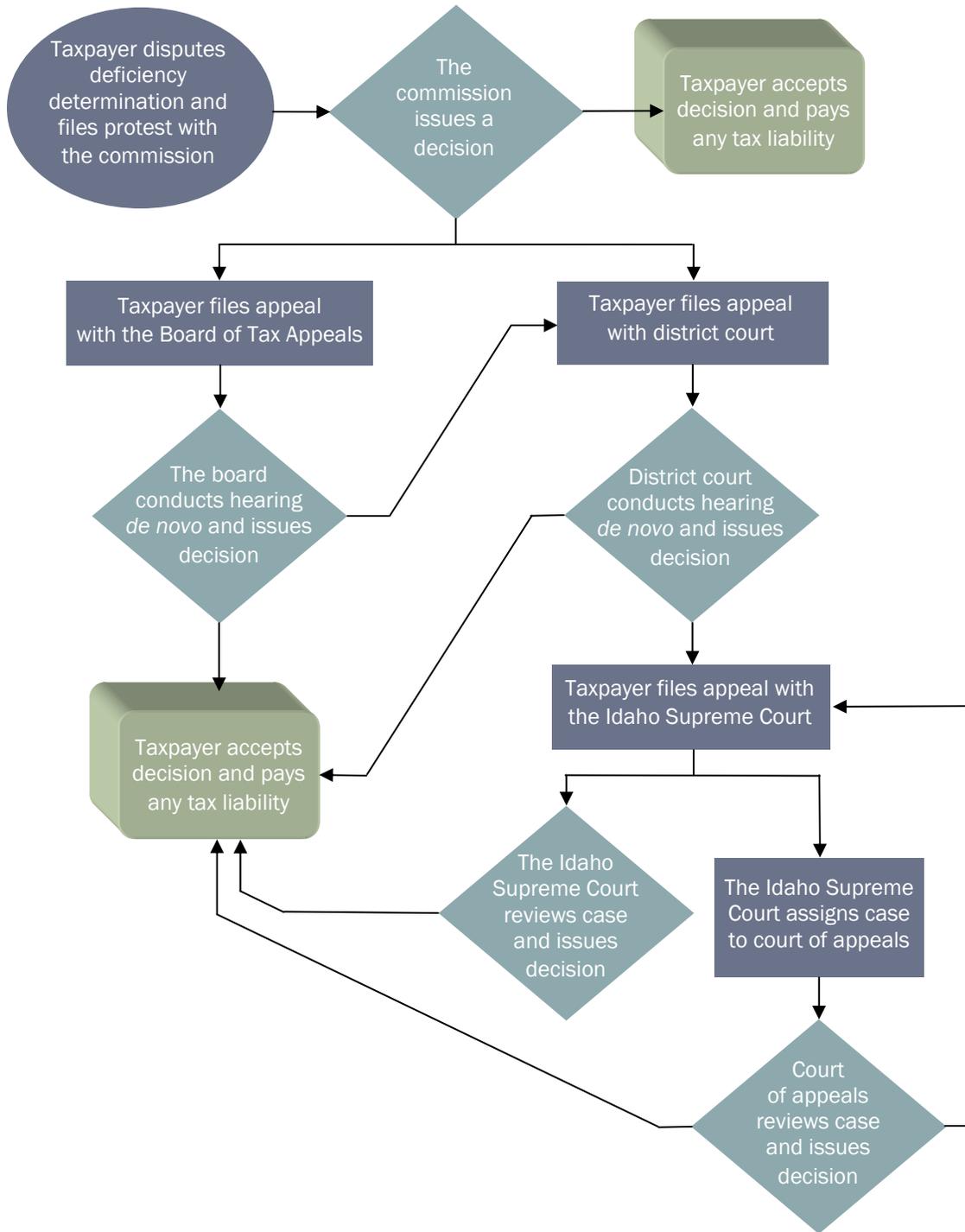
According to commission leadership, an auditor or collections specialist may work informally with a taxpayer to resolve disagreements about the notice. However, once a taxpayer submits a written protest, the case is escalated to the Legal and Tax Policy Division.¹

Before transferring the case to the Legal and Tax Policy Division, the auditor or collections specialist reviews the taxpayer's written protest to ensure all necessary information is included. The commission refers to a complete protest as *perfected*. The taxpayer has the opportunity to perfect the protest if it is determined deficient by commission staff. Only perfected protests are transferred to the Legal and Tax Policy Division.

A tax policy specialist in the Legal and Tax Policy Division reviews the protest, may schedule a hearing at the taxpayer's request or accept additional information from the taxpayer, and

1. The commission does not require the use of a specific form or application, but all protests must be submitted in writing.

Exhibit C.1
Taxpayers May Appeal Commission Decisions



recommends a decision. All decisions are approved by the commissioners and given to the taxpayer in writing.

If the taxpayer disagrees with the commission's decision, he or she may appeal the decision to either the Board of Tax Appeals or the district court in which the taxpayer resides.²

The Board of Tax Appeals Receives Only a Small Number of Commission Appeals

In addition to reviewing local tax appeals, the Board of Tax Appeals reviews cases from taxpayers who appeal commission decisions. Although board members are not judges, the proceedings are considered quasi-judicial where taxpayers and the commission are given the opportunity to provide testimony. According to the executive director, the board receives approximately 2 percent of its appeals from taxpayers appealing commission decisions.

The taxpayer must deposit 20 percent of the assessed debt to the commission and supply proof that deposit was made before filing an appeal. After the board receives an appeal and confirms the deposit, a hearing officer conducts a hearing *de novo* in which all information of the case is thoroughly reviewed. Two of the three board members must agree on the proposed decision for it to become final.

The board determines only the accuracy of debt. It may affirm, reverse, modify, or remand the commission's decision. Although the board does not track commission case dispositions or results, the executive director told us that commission decisions stand in 80 to 90 percent of cases. As shown in the exhibit, taxpayers may appeal the board's decision to district court.

20 percent of the assessed debt is required as a deposit before an appeal process may begin outside of the commission.

***De novo* is a legal term for begin again or anew.**

Appeals May Also Move Through the Judicial System

Taxpayers may file an appeal with the district court after receiving a decision from either the commission or the board. Taxpayers must file the appeal in writing with the court clerk and deposit 20 percent of the commission's final determination of the

2. As written in Idaho Code § 63-3049(a), appeals for sales, use, and corporate income tax greater than \$25,000 are routed directly to district court.

debt assessment. Similar to the board, district court conducts a hearing *de novo* and issues a decision.

If the taxpayer disagrees with the district court decision, he or she may file an appeal with the clerk of the Idaho Supreme Court. The Supreme Court may review the appeal and issue a decision or assign the case to the court of appeals. Supreme Court decisions cannot be appealed. However, decisions made by the court of appeals can be appealed to the Supreme Court, which has the discretion to deny a review of the decision.

Appendix D

Survey Results

To better understand the working relationship between Idaho tax professionals and staff at the Idaho State Tax Commission, we conducted statewide surveys of both groups.

Tax Professional Survey Development and Distribution

Before developing a survey of tax professionals, we conducted a series of in-depth interviews with representatives from the tax community (see appendix A for more details). Using the information obtained in those interviews, we put together a working group of tax professionals to discuss their interactions with the commission and identify potential survey questions. We developed a draft survey, which we piloted with the director of the Idaho Society of CPAs and the working group participants. We sent the draft survey to the commission for review and comment. We finalized the survey, incorporating all relevant feedback.

We distributed the survey of tax professionals using Survey Gizmo, a web-based survey tool. The distribution list for tax professionals was generated from an IRS e-mail database of preparer tax identification numbers. We distributed the survey to 2,851 e-mail addresses.

Commission Staff Survey Development and Distribution

In advance of a commission staff survey, we interviewed the four commissioners and members of commission leadership. We used that information to develop a survey very similar to the survey of tax professionals, but through the perspective of commission staff. We sent the draft survey to the commission for review and comment, incorporating all relevant feedback into the final survey.

We distributed the survey of tax commission staff using Survey Gizmo, a web-based survey tool. We distributed the survey using a database of employees maintained by the Idaho Department of Administration. We distributed the survey to 423 e-mail addresses.

Survey Responses and Analyses

We received responses from tax professionals throughout the state and from all six of the commission field offices, as well as the central office.

Survey Group	# of Responses
Tax professionals	415
Commission staff	297

Respondents represented a wide range of expertise, both among tax professionals and commission staff. The 415 tax professionals who completed our survey reported preparing 108,321 original returns, 5,617 amended returns, and 316 appeals over the past 12 months. Responses from both groups also included information related to levels of experience, work location, and the frequency and types of interaction between tax professionals and commission staff. Each group provided their grade of how well the commission currently fulfills the role of a taxpayer advocate, both at the individual case level and the system level.

We designed the survey questions for each group to be similar, often identical. These similarities allowed us to make comparisons of responses and identify differences in perspectives among survey respondents. We have provided complete survey responses for each group on the following pages, including our summary of the open-ended comments. To protect the confidentiality of survey respondents, all information is listed in aggregate and no identifying information is included in the results.

Tax Professionals

Percentages may not sum to 100 on some questions because of rounding.

Approximately how many years have you worked as a tax professional in Idaho? (N=415)

	Responses	Percentage of Respondents
Less than 1	11	3
1-5	58	14
6-10	75	18
11-20	103	25
More than 20	168	40

How would you best describe your professional designation when working with taxpayers? (Select one.) (N=415)

	Responses	Percentage of Respondents
CPA	215	52
Licensed attorney	3	1
Enrolled agent	44	11
Paid preparer	137	33
Other	16	4

Over the past 12 months, how was your workload generally divided between individual taxpayers and businesses? (N=415)

	Responses	Percentage of Respondents
I primarily worked with individuals	157	38
I primarily worked with businesses	39	9
My work was evenly distributed between individuals and businesses	204	49
Other	14	3
Don't know	1	0

Approximately how many of each of the following Idaho documents did you prepare or help prepare over the past 12 months? (N=415)

	Responses
Original returns	108,321
Amended returns	5,617
Appeals	316

Please indicate your level of satisfaction in how well the Idaho State Tax Commission generally meets your needs. (N=415)

	Responses	Percentage of Respondents
Very unsatisfied	27	7
Somewhat unsatisfied	55	13
Neither unsatisfied nor satisfied	61	15
Somewhat satisfied	143	34
Very satisfied	115	28
Don't know	14	3

Please indicate how your working relationship with the Idaho State Tax Commission has changed over the past three years. (N=415)

	Responses	Percentage of Respondents
Much worse	21	5
Somewhat worse	71	17
No change	226	54
Somewhat better	51	12
Much better	26	6
Don't know	20	5

Please explain the nature of the change, if any. (N=184)

Summary of Open-Ended Comments	Responses	Percentage of Respondents
Staff have become more harsh, aggressive, or inflexible	37	20
Staff are more helpful and responsive	27	15
Staff's communication have negatively changed	26	14
Staff have become difficult to work with in general	23	13
Staff's attitude toward tax professional or taxpayer have negatively changed	20	11
Staff's communication have improved	19	10
Tax professional experiences delays or long response times	15	8
Staff seem inconsistent and less trained or experienced	13	7
Staff have become more focused on money	11	6
Tax professional has always had a good relationship	8	4
Staff decisions contradict the law or are erroneous	5	3
Tax professional pleased the field offices were reopened	4	2
Staff have become better trained	4	2

Note: Totals do not sum to 184 because respondent comments could be placed in more than one category. Some comments included both positive and negative feedback.

What one thing, if any, would you like the Idaho State Tax Commission to change that would significantly help you as a tax professional? (N=293)

Summary of Open-Ended Comments	Responses	Percentage of Respondents
Provide specific tax practitioner resources	47	16
Revise current policies or create new policies	46	16
Improve overall communication efforts	45	15
Did not recommend a change or provide a response	34	12
Provide comprehensive or easy to understand information	34	12
Be more flexible with taxpayers	28	10
Change negative attitude	25	9
Expand online and website options	24	8
Revise or follow current Power of Attorney procedures	23	8
Provide more training for staff	17	6
Create a problem resolution process or an advocate office	16	5
Revise current tax forms	12	4
Make field offices more accessible	11	4
Empower staff to use professional judgment	7	2

Note: Totals do not sum to 293 because respondent comments could be placed in more than one category. Some comments included both positive and negative feedback.

Over the past 12 months, approximately what percentage of original returns have required you to work directly with Idaho State Tax Commission staff? (N=415)

	Responses	Percentage of Respondents
0	114	27
1-5%	260	63
6-10%	34	8
11-25%	5	1
26-50%	0	0
51-75%	0	0
76-100%	2	0

Over the past 12 months, when working with Idaho State Tax Commission staff to address tax issues, were those issues generally: (N=301)

	Responses	Percentage of Respondents
Resolved	264	88
Unresolved	24	8
Don't know	13	4

When resolving returns that required you to work directly with Idaho State Tax Commission staff, please rank the level of staff who were generally best able to resolve your issues. (Select up to three, with 1 being the most frequent.) (N=301)

Overall Ranking	Level of Staff
1	Frontline staff
2	Supervisors or managers
3	Commissioners
4	Division administrator
5	Bureau chiefs

Note: 28 respondents indicated “don’t know” as their most frequent response, and 2 respondents indicated “other.”

When working with Idaho State Tax Commission staff, which field office do you generally work with? (Select one.) (N=301)

	Responses	Percentage of Respondents
Boise	177	59
Boise Central (rather than a field office)	49	16
Coeur d’Alene	17	6
Idaho Falls	20	7
Lewiston	2	1
Pocatello	11	4
Twin Falls	16	5
Don't know	9	3

For which types of tax issues do you generally work directly with Idaho State Tax Commission staff? (Select all that apply.) (N=301)

	Responses	Percentage of Respondents
Policy issues (tax laws or interpretation of those laws)	185	61
Procedural issues (forms or collection guidelines, documentation requirements)	209	69
Personnel issues (communication or personality issues)	28	9
Other	14	5
Don't know	6	2

When considering your experiences with commission staff, please rate your overall level of agreement for the following statements. Idaho State Tax Commission staff: (N=301)

	Responses	Percentage of Respondents
Encourage voluntary compliance with state tax laws		
Strongly disagree	8	3
Somewhat disagree	17	6
Neither disagree or agree	66	22
Somewhat agree	88	29
Strongly agree	92	31
Don't know	30	10
Enforce state tax laws		
Strongly disagree	7	2
Somewhat disagree	13	4
Neither disagree or agree	42	14
Somewhat agree	94	31
Strongly agree	130	43
Don't know	15	5
Collect tax liabilities using fair means		
Strongly disagree	26	9
Somewhat disagree	54	18
Neither disagree or agree	63	21
Somewhat agree	85	28
Strongly agree	46	15
Don't know	27	9
Treat the taxpayer with respect		
Strongly disagree	20	7
Somewhat disagree	55	18
Neither disagree or agree	63	21
Somewhat agree	91	30
Strongly agree	62	21
Don't know	10	3

(continued) When considering your experiences with commission staff, please rate your overall level of agreement for the following statements. Idaho State Tax Commission staff: (N=301)

	Responses	Percentage of Respondents
Treat the tax professional with respect		
Strongly disagree	13	4
Somewhat disagree	42	14
Neither disagree or agree	44	15
Somewhat agree	105	35
Strongly agree	91	30
Don't know	6	2
Provide education and outreach to taxpayers to help them better understand tax responsibilities		
Strongly disagree	17	6
Somewhat disagree	45	15
Neither disagree or agree	96	32
Somewhat agree	60	20
Strongly agree	38	13
Don't know	45	15
Balance the duties of the commission with the livelihood of the taxpayer		
Strongly disagree	34	11
Somewhat disagree	57	19
Neither disagree or agree	95	32
Somewhat agree	52	17
Strongly agree	20	7
Don't know	43	14

Please indicate your level of satisfaction with how well taxpayer issues are generally resolved by Idaho State Tax Commission staff. (N=301)

	Responses	Percentage of Respondents
Very unsatisfied	16	5
Somewhat unsatisfied	54	18
Neither unsatisfied nor satisfied	33	11
Somewhat satisfied	125	42
Very satisfied	71	24
Don't know	2	1

Please provide any additional details. (N=76)

Summary of Open-Ended Comments	Responses	Percentage of Respondents
Overall the commission does a good job or only had positive experiences	15	20
Flexibility is lacking	9	12
Taxpayers or tax professionals are treated poorly	9	12
In general, the issue could have been handled better	8	11
Negative experience with audits	7	9
Negative experience with collections	7	9
Exceedingly long response times for information or communications	6	9
Poor communication of resolution or needed materials	5	7

Note: Totals do not sum to 76 because respondent comments could be placed in more than one category. Some comments included both positive and negative feedback. Comments such as “none” or “not applicable” are not included in the table.

When working with Idaho State Tax Commission staff over the past 12 months, which division have you had the most direct communication with? (Select one.) (N=301)

	Responses	Percentage of Respondents
Audits (income tax, sales and fuels tax, tax discovery)	111	37
Collections (bankruptcy, tax compliance, taxpayer services, field offices)	85	28
Property Tax	0	0
Revenue Operations (automation, central processing)	50	17
Tax Policy and Appeals	32	11
Other	6	2
Don't know	17	6

When working with Idaho State Tax Commission staff in **Audits**, what method do you generally use to communicate with the commission? (Select all that apply.) (N=111)

	Responses	Percentage of Respondents
Mail	52	47
E-mail	51	46
Fax	27	24
Telephone	84	76
In-person	11	10
I do not generally communicate outside of the initial filing of returns	0	0
Don't know	0	0

When working with Idaho State Tax Commission staff in **Collections**, what method do you generally use to communicate with the commission? (Select all that apply.) (N=85)

	Responses	Percentage of Respondents
Mail	37	44
E-mail	36	42
Fax	27	32
Telephone	73	86
In-person	8	9
I do not generally communicate outside of the initial filing of returns	0	0
Don't know	0	0

When working with Idaho State Tax Commission staff in **Property Tax**, what method do you generally use to communicate with the commission? (Select all that apply.) (N=0)

	Responses	Percentage of Respondents
Mail	0	0
E-mail	0	0
Fax	0	0
Telephone	0	0
In-person	0	0
I do not generally communicate outside of the initial filing of returns	0	0
Don't know	0	0

When working with Idaho State Tax Commission staff in **Revenue Operations**, what method do you generally use to communicate with the commission? (Select all that apply.) (N=50)

	Responses	Percentage of Respondents
Mail	12	24
E-mail	25	50
Fax	8	16
Telephone	44	88
In-person	1	2
I do not generally communicate outside of the initial filing of returns	0	0
Don't know	0	0

When working with Idaho State Tax Commission staff in **Tax Policy and Appeals**, what method do you generally use to communicate with the commission? (Select all that apply.) (N=32)

	Responses	Percentage of Respondents
Mail	6	19
E-mail	14	44
Fax	3	9
Telephone	27	84
In-person	5	16
I do not generally communicate outside of the initial filing of returns	3	9
Don't know	0	0

When working with Idaho State Tax Commission staff in **Other**, what method do you generally use to communicate with the commission? (Select all that apply.) (N=6)

	Responses	Percentage of Respondents
Mail	1	17
E-mail	4	67
Fax	2	33
Telephone	5	83
In-person	1	17
I do not generally communicate outside of the initial filing of returns	1	17
Don't know	0	0

When working with Idaho State Tax Commission staff in **Audits**, what method do *commission staff* generally use to communicate with you? (Select all that apply.) (N=111)

	Responses	Percentage of Respondents
Mail	69	62
E-mail	35	32
Fax	18	16
Telephone	65	59
In-person	9	8
Commission staff do not generally communicate with me outside of the initial filing of returns	5	5
Don't know	3	3

When working with Idaho State Tax Commission staff in **Collections**, what method do *commission staff* generally use to communicate with you? (Select all that apply.) (N=85)

	Responses	Percentage of Respondents
Mail	50	59
E-mail	27	32
Fax	17	20
Telephone	58	68
In-person	4	5
Commission staff do not generally communicate with me outside of the initial filing of returns	3	4
Don't know	0	0

When working with Idaho State Tax Commission staff in **Property Tax** what method do *commission staff* generally use to communicate with you? (Select all that apply.) (N=0)

	Responses	Percentage of respondents
Mail	0	0
E-mail	0	0
Fax	0	0
Telephone	0	0
In-person	0	0
Commission staff do not generally communicate with me outside of the initial filing of returns	0	0
Don't know	0	0

When working with Idaho State Tax Commission staff in **Revenue Operations**, what method do *commission staff* generally use to communicate with you? (Select all that apply.) (N=50)

	Responses	Percentage of respondents
Mail	28	56
E-mail	19	38
Fax	2	4
Telephone	25	50
In-person	1	2
Commission staff do not generally communicate with me outside of the initial filing of returns	2	4
Don't know	1	2

When working with Idaho State Tax Commission staff in **Tax Policy and Appeals**, what method do *commission staff* generally use to communicate with you? (Select all that apply.) (N=32)

	Responses	Percentage of Respondents
Mail	8	25
E-mail	13	41
Fax	1	3
Telephone	20	63
In-person	2	6
Commission staff do not generally communicate with me outside of the initial filing of returns	4	13
Don't know	1	3

When working with Idaho State Tax Commission staff in **Other**, what method do *commission staff* generally use to communicate with you? (Select all that apply.) (N=6)

	Responses	Percentage of Respondents
Mail	3	50
E-mail	4	67
Fax	2	33
Telephone	5	83
In-person	0	0
Commission staff do not generally communicate with me outside of the initial filing of returns	0	0
Don't know	0	0

Please indicate your level of satisfaction in how well specific taxpayer issues or concerns are generally resolved by Idaho State Tax Commission staff from **Audits** (income tax, sales and fuels tax, tax discovery). (N=111)

	Responses	Percentage of Respondents
Very unsatisfied	6	5
Somewhat unsatisfied	19	17
Neither unsatisfied nor satisfied	14	13
Somewhat satisfied	45	41
Very satisfied	27	24
Don't know	0	0

Please indicate your level of satisfaction in how well specific taxpayer issues or concerns are generally resolved by Idaho State Tax Commission staff from **Collections** (bankruptcy, tax compliance, taxpayer services, field offices). (N=85)

	Responses	Percentage of Respondents
Very unsatisfied	8	9
Somewhat unsatisfied	17	20
Neither unsatisfied nor satisfied	11	13
Somewhat satisfied	28	33
Very satisfied	20	24
Don't know	1	1

Please indicate your level of satisfaction in how well specific taxpayer issues or concerns are generally resolved by Idaho State Tax Commission staff from **Revenue Operations** (automation, central processing). (N=50)

	Responses	Percentage of Respondents
Very unsatisfied	1	2
Somewhat unsatisfied	5	10
Neither unsatisfied nor satisfied	6	12
Somewhat satisfied	23	46
Very satisfied	15	30
Don't know	0	0

Please indicate your level of satisfaction in how well specific taxpayer issues or concerns are generally resolved by Idaho State Tax Commission staff from **Tax Policy and Appeals**. (N=32)

	Responses	Percentage of Respondents
Very unsatisfied	4	13
Somewhat unsatisfied	3	9
Neither unsatisfied nor satisfied	2	6
Somewhat satisfied	10	31
Very satisfied	12	38
Don't know	1	3

Please indicate your level of satisfaction in how well specific taxpayer issues or concerns are generally resolved by Idaho State Tax Commission staff from **Other**. (N=6)

	Responses	Percentage of Respondents
Very unsatisfied	1	17
Somewhat unsatisfied	1	17
Neither unsatisfied nor satisfied	0	0
Somewhat satisfied	3	50
Very satisfied	1	17
Don't know	0	0

Please provide any additional details. (N=52)

Summary of Open-Ended Comments	Responses	Percentage of Respondents
Auditors and collectors are difficult to work with	13	25
Resolution times are long	8	15
Staff are too narrow, harsh, or rigid	6	12
Staff communication is poor	5	10
Staff response times are quick	5	10
Staff are helpful or pleasant	5	10
Staff are poorly trained	4	8

Note: Totals do not sum to 52 because respondent comments could be placed in more than one category. Some comments included both positive and negative feedback. Comments such as "none" or "not applicable" are not included in the table.

At the national level, the Taxpayer Advocate Service (TAS) works to ensure that every taxpayer is treated fairly and that taxpayers know and understand their rights. TAS offers free help to guide taxpayers through the process of resolving tax problems.

At the state level, advocacy offices typically assist taxpayers who have been unable to resolve their issue within the regular channels of problem resolution available to them.

Using this description, please grade how well you feel the Idaho State Tax Commission currently fulfills the role of assisting taxpayers in resolving tax problems. (N=415)

	Responses	Percentage of Respondents
A = excellent	28	7
B = good	131	32
C = fair	102	25
D = poor	45	11
F = fail	18	4
Don't know	91	22

Additionally, some state advocates and TAS have the authority to identify and resolve systemic issues affecting multiple taxpayers.

Using this description, please grade how well you feel the Idaho State Tax Commission currently fulfills the role of identifying and resolving systemic issues affecting multiple taxpayers. (N=415)

	Responses	Percentage of Respondents
A = excellent	17	4
B = good	102	25
C = fair	109	26
D = poor	36	9
F = fail	13	3
Don't know	138	33

Please provide any additional comments, compliments, or suggestions about the Idaho State Tax Commission that you think are relevant to this study. (N=75)

Summary of Open-Ended Comments	Responses	Percentage of Respondents
Overall pleased with the commission	19	25
Revise current policies and procedures	15	20
Create a taxpayer advocate position	6	8
Previously unaware of taxpayer advocacy	2	3
Other	4	5

Note: Totals do not sum to 75 because respondent comments could be placed in more than one category. Some comments included both positive and negative feedback. Comments such as “none” or “not applicable” are not included in the table.

Commission Staff

Percentages may not sum to 100 on some questions because of rounding.

Approximately how many years have you worked at the Idaho State Tax Commission?
(N=297)

	Responses	Percentage of Respondents
Less than 1	4	1
1-5	105	35
6-10	75	25
11-20	56	19
More than 20	57	19

At which field office do you primarily work? (N=297)

	Responses	Percentage of Respondents
Boise	219	74
Boise Central	27	9
Coeur d'Alene	15	5
Lewiston	5	2
Pocatello	11	4
Idaho Falls	11	4
Twin Falls	9	3

At which division do you primarily work? (N=297)

	Responses	Percentage of Respondents
Audits	101	34
Collections	85	29
Communications	4	1
Human Resources	3	1
Information Technology	12	4
Management Services	8	3
Property Tax	15	5
Revenue Operations	52	18
Tax Policy and Appeals	16	5
Other	1	0

Over the past 12 months, what percentage of your workload has generally required you to work with people outside of the Idaho State Tax Commission? (N=297)

	Responses	Percentage of Respondents
0%	16	5
1-25%	96	32
26-50%	42	14
51-75%	45	15
76-100%	98	33

In general, which types of issues require you to work with people outside of the Idaho State Tax Commission? (Select all that apply.) (N=281)

	Responses	Percentage of Respondents
Policy issues (tax laws or interpretation of those laws)	194	69
Procedural issues (forms or collection guidelines, documentation requirements)	245	87
Personnel issues (communication or personality issues)	44	16
Don't know	3	1
Other	35	12

When considering those instances that required you to work directly with **tax professionals**, please rate your level of agreement with the following statements. As an Idaho State Tax Commission employee, you: (N=281)

	Responses	Percentage of Respondents
Encourage voluntary compliance with state tax laws		
Strongly disagree	17	6
Somewhat disagree	0	0
Neither disagree or agree	7	2
Somewhat agree	24	9
Strongly agree	199	71
Don't know	5	2
Not applicable	29	10
Enforce state tax laws		
Strongly disagree	18	6
Somewhat disagree	0	0
Neither disagree or agree	10	4
Somewhat agree	26	9
Strongly agree	182	65
Don't know	2	1
Not applicable	43	15
Collect tax liabilities using fair means		
Strongly disagree	14	5
Somewhat disagree	1	0
Neither disagree or agree	7	2
Somewhat agree	18	6
Strongly agree	127	45
Don't know	7	2
Not applicable	107	38

(continued) When considering those instances that required you to work directly with **tax professionals**, please rate your level of agreement with the following statements. As an Idaho State Tax Commission employee, you: (N=281)

	Responses	Percentage of Respondents
Treat the tax professional with respect		
Strongly disagree	19	7
Somewhat disagree	0	0
Neither disagree or agree	2	1
Somewhat agree	12	4
Strongly agree	219	78
Don't know	4	1
Not applicable	25	9
Provide education or outreach to better understand tax responsibilities		
Strongly disagree	19	7
Somewhat disagree	6	2
Neither disagree or agree	6	2
Somewhat agree	43	15
Strongly agree	168	60
Don't know	3	1
Not applicable	36	13
Balance the duties of the commission with the livelihood of the taxpayer		
Strongly disagree	19	7
Somewhat disagree	6	2
Neither disagree or agree	25	9
Somewhat agree	50	18
Strongly agree	99	35
Don't know	11	4
Not applicable	71	25

Please indicate how your working relationship with **tax professionals** has changed over the past three years. (N=281)

	Responses	Percentage of Respondents
Much worse	4	1
Somewhat worse	17	6
No change	146	52
Somewhat better	42	15
Much better	28	10
Don't know	9	3
Not applicable	35	12

Please provide the nature of change, if any. (N=86)

Summary of Open-Ended Comments	Responses	Percentage of Respondents
The commission has improved outreach and education	15	17
Staff have always maintained professionalism to ensure positive working relationships	15	17
Tax professionals have become uninformed or poor communicators	12	14
Staff have received training	11	13
Complaints, protests, or threats from tax professionals has increased	10	12
Tax professionals are better educated or more willing to work with commission staff	8	9
The commission has improved its processes	6	7
Tax professionals lack trust or confidence	2	2
Communication with taxpayers lacking	1	1
Too many changes to policies or procedures	1	1

Note: Totals do not sum to 86 because respondent comments could be placed in more than one category. Some comments included both positive and negative feedback. Comments such as "none" or "not applicable" are not included in the table.

When considering those instances that required you to work directly with **taxpayers**, please rate your level of agreement with the following statements. As an Idaho State Tax Commission employee, you: (N=281)

	Responses	Percentage of Respondents
Encourage voluntary compliance with state tax laws		
Strongly disagree	17	6
Somewhat disagree	0	0
Neither disagree or agree	2	1
Somewhat agree	13	5
Strongly agree	215	77
Don't know	2	1
Not applicable	32	11
Enforce state tax laws		
Strongly disagree	17	6
Somewhat disagree	0	0
Neither disagree or agree	7	2
Somewhat agree	18	6
Strongly agree	193	69
Don't know	1	0
Not applicable	45	16
Collect tax liabilities using fair means		
Strongly disagree	14	5
Somewhat disagree	1	0
Neither disagree or agree	7	2
Somewhat agree	17	6
Strongly agree	130	46
Don't know	5	2
Not applicable	107	38
Treat the tax professionals with respect		
Strongly disagree	18	6
Somewhat disagree	0	0
Neither disagree or agree	0	0
Somewhat agree	14	5
Strongly agree	212	75
Don't know	0	0
Not applicable	37	13

(continued) When considering those instances that required you to work directly with **taxpayers**, please rate your level of agreement with the following statements. As an Idaho State Tax Commission employee, you: (N=281)

	Responses	Percentage of Respondents
Provide education and outreach to better understand tax responsibilities		
Strongly disagree	18	6
Somewhat disagree	6	2
Neither disagree or agree	3	1
Somewhat agree	29	10
Strongly agree	190	68
Don't know	0	0
Not applicable	35	12
Balance the duties of the commission with the livelihood of the taxpayer		
Strongly disagree	18	6
Somewhat disagree	4	1
Neither disagree or agree	23	8
Somewhat agree	44	16
Strongly agree	118	42
Don't know	10	4
Not applicable	64	23

Please indicate how your working relationship with **taxpayers** has changed over the past three years. (N=280)

	Responses	Percentage of Respondents
Much worse	0	0
Somewhat worse	19	7
No change	154	55
Somewhat better	44	16
Much better	26	9
Don't know	8	3
Not applicable	29	10

Please provide the nature of change, if any. (N=84)

Summary of Open-Ended Comments	Responses	Percentage of Respondents
The commission has improved outreach and education	28	33
Staff have received training	12	14
The commission has improved payment plans or created more options for working with taxpayers	11	13
Negative public perception or lack of trust	9	11
Staff have always maintained professionalism to ensure positive working relationships	8	10
Taxpayers have become angrier or more frustrated	8	10
Taxpayers have or have had financial difficulties	7	8
Taxpayers ignore tax laws or commission requests	5	6
Changes to tax laws have been confusing	2	2
The commission incentivizes closing taxpayer accounts	2	2

Note: Totals do not sum to 84 because respondent comments could be placed in more than one category. Some comments included both positive and negative feedback. Comments such as “none” or “not applicable” are not included in the table.

What one thing, if any, would you like the Idaho State Tax Commission to change that would significantly help you as a commission employee when working with people outside the commission. (N=200)

Summary of Open-Ended Comments	Responses	Percentage of Respondents
Improve staff training and communication skills	39	20
Provide better or more effective outreach	34	17
Improve unclear or inconsistently applied tax laws	23	12
Improve commission manuals or processes	19	10
Increase support from the Legislature	16	8
Provide the commission with ways to defend itself or improve its self image	14	7
Improve morale or increase support from management	12	6
Create a taxpayer advocate or other mechanism to process questions and concerns	11	6
Provide additional staff, increased wages, or flexibility	8	4
Change commission letters, documents, and publications	7	4
Provide more flexibility with payments and liens	6	3
Update the website with additional information	5	3
Provide more flexibility with the budget	3	2
Provide training specifically for businesses	2	2

Note: Totals do not sum to 200 because respondent comments could be placed in more than one category. Some comments included both positive and negative feedback.

At the national level, the Taxpayer Advocate Service (TAS) works to ensure that every taxpayer is treated fairly and that taxpayers know and understand their rights. TAS offers free help to guide taxpayers through the process of resolving tax problems.

At the state level, advocacy offices typically assist taxpayers who have been unable to resolve their issue within the regular channels of problem resolution available to them.

Using this description, please grade how well you feel the Idaho State Tax Commission currently fulfills the role of assisting taxpayers in resolving tax problems. (N=297)

	Responses	Percentage of Respondents
A = excellent	74	25
B = good	141	47
C = fair	38	13
D = poor	7	2
F = fail	0	0
Don't know	37	12

Additionally, some state advocates and TAS have the authority to identify and resolve systemic issues affecting multiple taxpayers.

Using this description, please grade how well you feel the Idaho State Tax Commission currently fulfills the role of identifying and resolving systemic issues affecting multiple taxpayers. (N=297)

	Responses	Percentage of Respondents
A = excellent	35	12
B = good	143	48
C = fair	50	17
D = poor	13	4
F = fail	2	1
Don't know	54	18

Please provide any additional comments, compliments, or suggestions about the Idaho State Tax Commission that you think are relevant to this study. (N=96)

Summary of Open-Ended Comments	Responses	Percentage of Respondents
The commission works hard to treat taxpayers fairly and improve processes	34	35
The commission should continue to provide taxpayer education and consistency when dealing with issues	26	27
A taxpayer advocate or problem resolution process should be created	11	11
The commission should provide additional staff training and resources	10	10
Taxpayers need to respond to commission requests or provide documentation	6	6
Management should provide more oversight or more involvement	4	4
The commission does not need a taxpayer advocate	4	4
The commission is bound or limited by tax laws	3	3
The commission should revise current policies and procedures	3	3
The commission cannot defend itself	2	2

Note: Totals do not sum to 96 because respondent comments could be placed in more than one category. Some comments included both positive and negative feedback.

Appendix E

Taxpayer Advocacy in Other States

We identified and interviewed 27 states with taxpayer advocacy. Our interviews gathered information to determine the extent to which Idaho's structure for resolving taxpayers' problems aligned with these states. This appendix provides an overview of the characteristics we researched and the frequency of those characteristics among 27 states.¹

Most States Advocacy Offices Share Four Characteristics

Our analysis of states with taxpayer advocacy found that no two states are completely alike in their approach, but most states often share four common characteristics.

Location Within Revenue Department

All 27 taxpayer advocacy positions or offices are housed within the state revenue department. In New Jersey, the Department of Treasury oversees both the taxation division and the revenue division. The Office of the Taxpayer Advocate is located in the taxation division rather than revenue. However, for the purposes of our research, we categorized the office as located in the revenue department because the divisions are not a separate state agency.

1. Because Connecticut and Hawaii (which both have taxpayer advocacy) did not respond to our requests for information, we were unable to include either state in our analyses.

Level of Independence Within Revenue Departments

Although all taxpayer advocacy positions or offices are housed in the revenue department, individuals at every advocacy office we interviewed believed the office is afforded some level of independence to make decisions affecting the taxpayer or to create solutions to address problems. For example, we heard the following comments:

My level of independence as the advocate enables me to stop audit or collection actions when necessary to allow sufficient time for resolving tax problems.

I have served four different directors and all have provided me with the same wide latitude to issue a taxpayer assistance order or cease collection activities or audits.

I have some independence, and I do not have to seek approval for actions.

Taxpayer Bills of Rights

We found that with the exception of Vermont, every state with taxpayer advocacy has a taxpayer bill of rights. Some states identify the taxpayer advocacy position or office in the bills of rights. At least seven states established their taxpayer advocacy efforts in conjunction with the passage of the taxpayer bill of rights, such as California and Montana.

Tracking Caseload Data

Twenty-five states with taxpayer advocacy track caseloads, although states vary in their approach. Some states use a formal process that categorizes cases by type, outcome, and resolution time. Other states simply tally their annual cases in aggregate. Additionally, some states publish caseloads while other states do not share that information.

States Differ In the Organization of Their Advocacy Offices

We asked states questions about eight characteristics of structural organization ranging from the number of staff to the office's reporting structure. Unlike the four commonly shared characteristics above, we found that states take many different approaches to the organization of their advocacy offices.

Year Established

The majority of advocacy positions or offices were established from 1989 to 1999. The Illinois Problem Resolution Office was established in 1985, making it the first state advocacy office.

Most recently, New York established an advocacy office in 2009, and Maryland and New Jersey established offices in 2011, possibly marking a renewed interest in taxpayer advocacy at the state level. Additionally, Maine and Kentucky made statutory changes in 2012 that restructured the composition of the taxpayer advocacy positions or offices.

Exhibit E.1

The First State Taxpayer Advocacy Position Was Established in 1985

Year	State
1985	Illinois
1986	Arizona
1988	California
1989	Indiana, Michigan
1990	Kentucky, Minnesota, Ohio
1991	Arkansas, Montana, Washington
1992	Florida, Missouri
1994	Georgia
1995	Maine ^a , South Carolina
1996	Kansas, Pennsylvania, Virginia
1999	Massachusetts, Texas
2000	Alabama
2001	Vermont ^a
2003	Utah
2009	New York
2011	Maryland, New Jersey

^a Office was later codified.

Number of Staff

We found that taxpayer advocacy positions or offices vary in staffing levels ranging from 1 to 28. Most frequently, states rely on a single advocacy position to assist taxpayers. Utah had the most staff at 28 employees, and Georgia recently increased its staff from 7 to 14.

Exhibit E.2

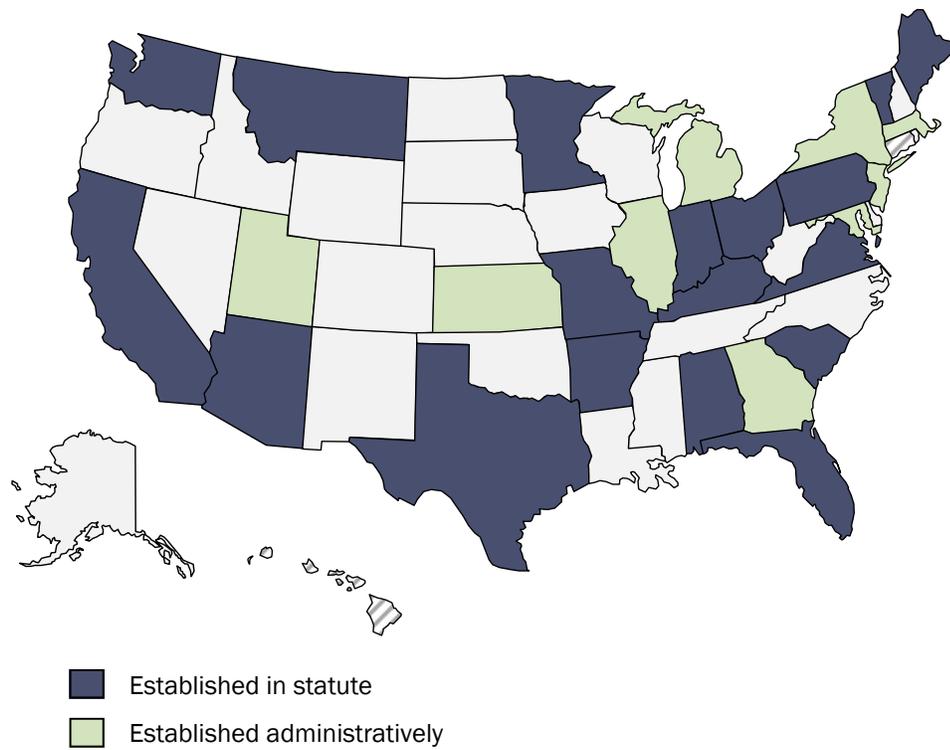
10 State Offices Are Staffed with One Advocate

Number of Staff	State
1.0	Arizona, Kansas, Maine, Maryland, Massachusetts, Missouri, Montana, South Carolina, Texas, Vermont
2.0	Florida, Kentucky, Ohio
4.0	Arkansas, Minnesota, New Jersey, Pennsylvania
5.0	Indiana
5.5	Virginia
7.0	California, Michigan
8.0	Alabama
10.0	New York
11.0	Illinois
13.0	Washington
14.0	Georgia
28.0	Utah

Established by Formal Legislation

More than half of states offering taxpayer advocacy established their position or office by passing formal legislation. The remaining states created their advocacy positions or offices internally. Both Maine and Vermont originally established their advocacy positions internally but later codified those positions within their revenue departments.

Map E.2
18 State Advocacy Offices Were Statutorily Created



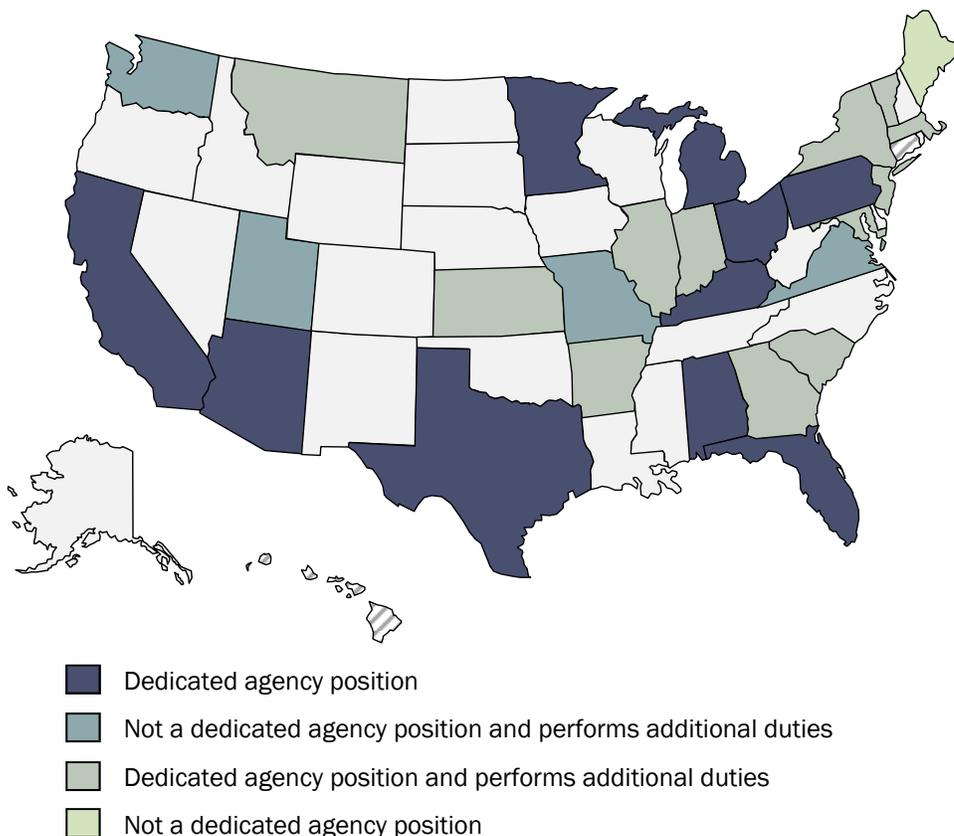
Note: Connecticut and Hawaii are not represented.

Other Titles and Responsibilities

Most states with taxpayer advocacy have dedicated agency positions. The Washington taxpayer advocate is the assistant director of the taxpayer services division. In Virginia, the taxpayer advocate is an administrative manager of the special taxes and services bureau and oversees many specialized units such as the customer satisfaction team.

Although most advocacy positions are dedicated, our interviews found that about half of the taxpayer advocates hold more than one title or have been assigned duties other than advocacy. In Georgia, the taxpayer advocate is responsible for determining the resolutions for protests and appeals. In Missouri, the ombudsman supervises the phone unit and is the field office coordinator for seven tax assistance centers.

Map E.3
16 State Advocates Perform Additional Duties



Note: Connecticut and Hawaii are not represented.

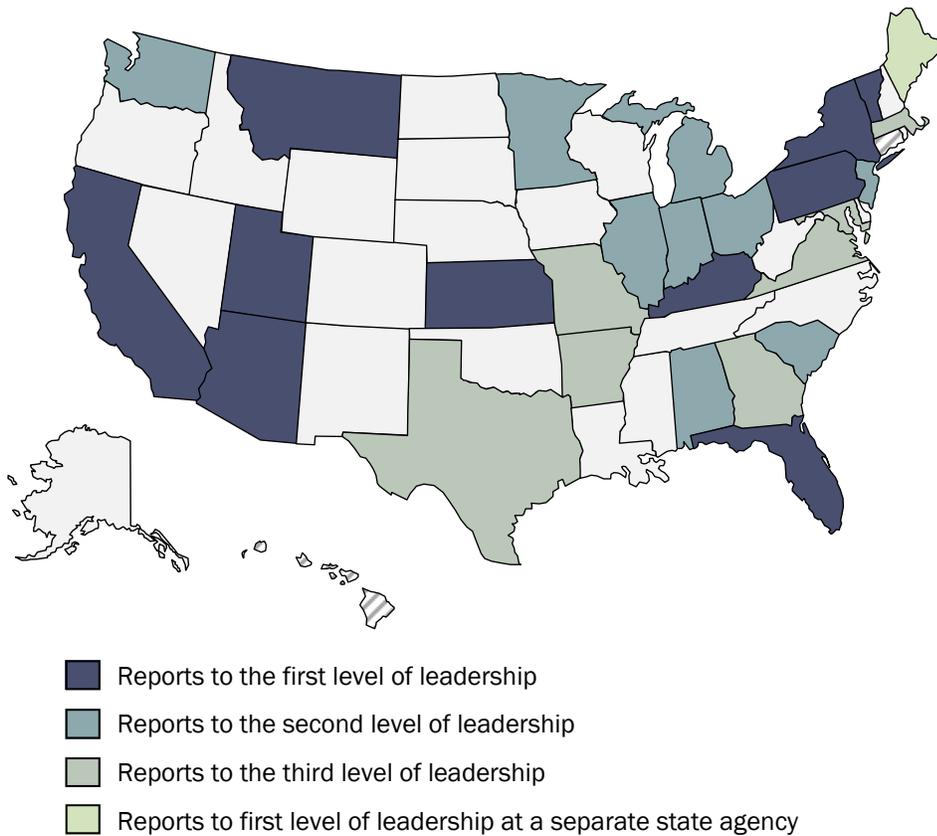
Reporting Structure

Although all 27 states provide taxpayer advocacy through their revenue or taxation department, the organizational structures of advocacy positions or offices are unique to each state. In 11 states, the advocacy position reports directly to the first level of leadership, usually a department director or commissioner.

In nine states, the taxpayer advocacy position or office is located within a division that reports to a deputy director. The Indiana advocate reports to a deputy commissioner but has direct access to the commissioner. In seven states, advocacy positions are located within multiple layers of divisions or units.

As noted in the map below, the Maine taxpayer advocate reports to the commissioner of Administrative and Financial Services outside of the Maine Revenue Services.

Map E.4
Reporting Structures Vary Significantly Among States



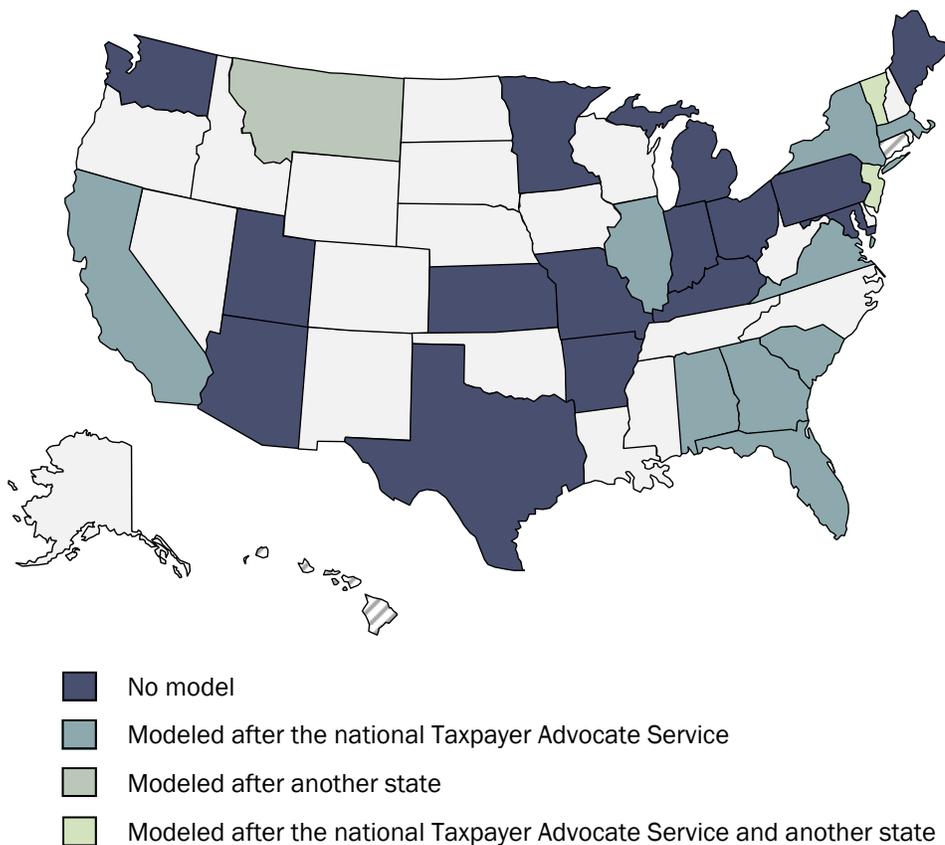
Note: Eleven states also submit annual reports to their legislature: Alabama, California, Kentucky, Maine, Minnesota, Montana, Pennsylvania, South Carolina, Texas, Vermont, and Virginia. Connecticut and Hawaii are not represented.

Modeled After the National Taxpayer Advocate Service or Another State

We found that states with taxpayer advocacy generally did not model their position or office after the national Taxpayer Advocate Service or other state advocacy efforts. Less than half of all states with taxpayer advocacy modeled their position or office after the national Taxpayer Advocate Service. Of those, New York reported information that most closely resembled the national model.

Three states modeled themselves after another state and mentioned Arizona, California, Michigan, New York, and Utah as reference states when developing their advocacy position or office. New Jersey and Vermont modeled themselves after both the national advocate and another state.

Map E.5
11 State Advocacy Offices Are Modeled After the National Taxpayer Advocate Service



Note: Connecticut and Hawaii are not represented.

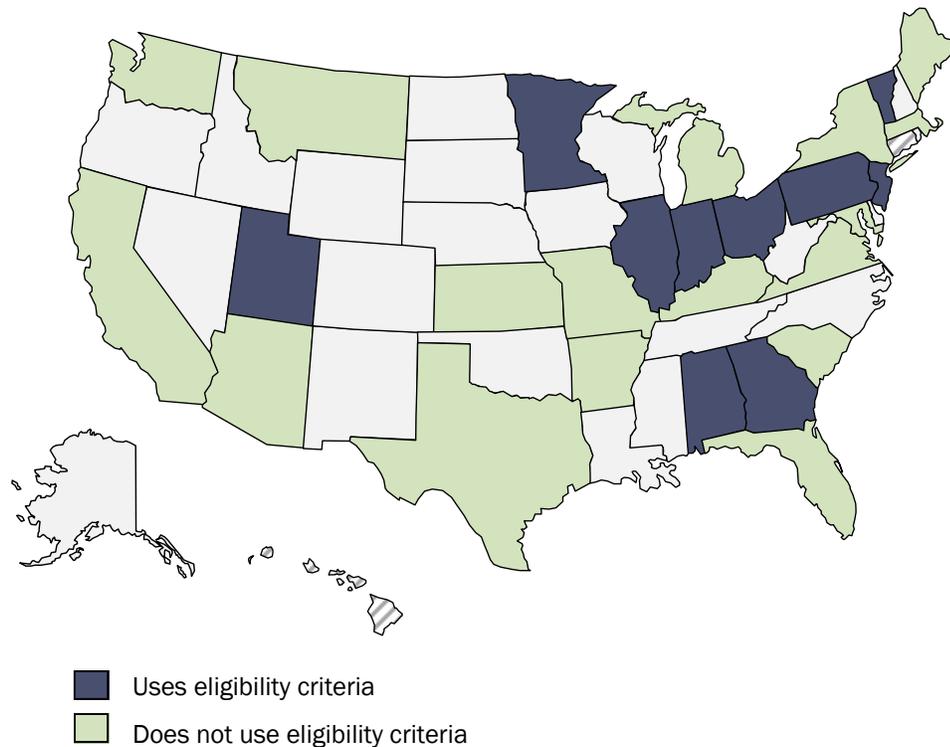
Processes Among State Advocacy Offices Vary

We also asked states about processes related to offering taxpayer advocacy. We found that states differ in their use of eligibility criteria and their ability to make systemic recommendations.

Eligibility Criteria for Assistance

Less than half of all states with taxpayer advocacy require taxpayers to meet specific criteria before receiving assistance. Most commonly, they require a specified amount of time to pass, such as 45 or 90 days, before assistance may be requested. Other states require that the taxpayer demonstrate financial hardship. Although some states relied on criteria, we were told that exceptions are made when warranted. Additionally, some states told us that requiring taxpayers to first try to solve their problems through the regular channels of resolution is not necessarily a criterion for eligibility.

Map E.6
17 States Do Not Use Eligibility Criteria for Assistance



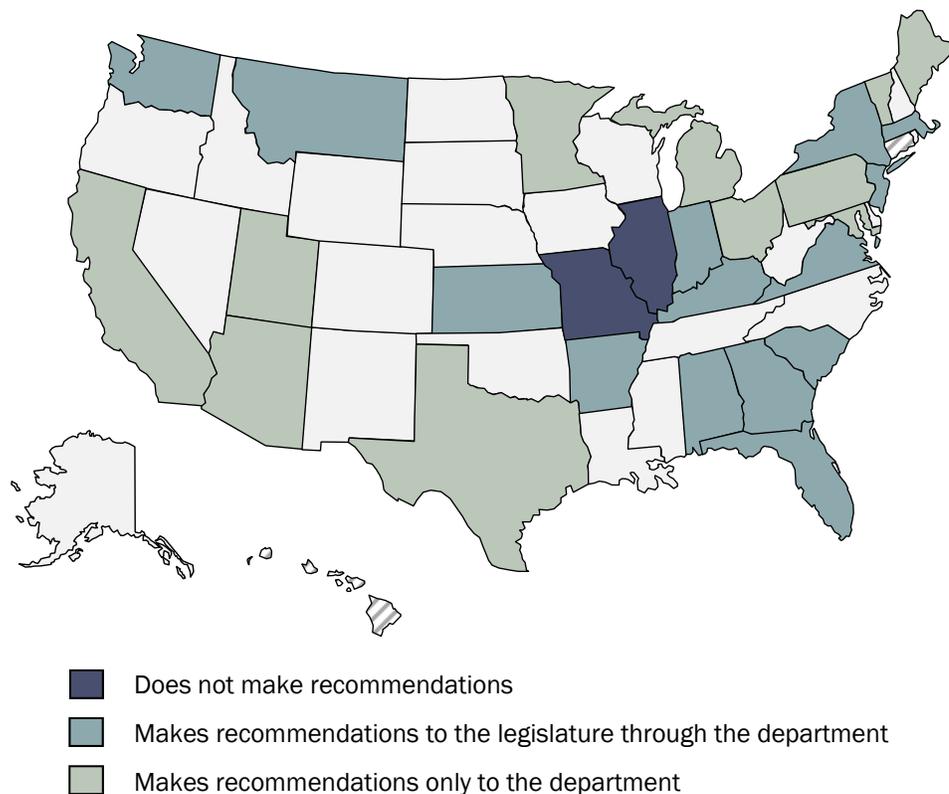
Note: Connecticut and Hawaii are not represented.

Recommendations for Systemic Change

Most frequently, states with taxpayer advocacy make systemic recommendations to the legislature through departmental procedures. Eleven states make recommendations to only the revenue department. For example, in its 2013 annual report, the Vermont advocate made five recommendations to the revenue department to address continued comments from taxpayers and tax practitioners. The recommendations asked for a review and revision of department correspondence letters, staff education, and more staff oversight because the department had not provided a clear explanation of its actions or decisions to taxpayers and tax practitioners.

Two states reported that their office did not have the authority to make recommendations to either the department or the legislature.

Map E.7
15 State Advocacy Offices Make Recommendations for Systemic Change



Note: Connecticut and Hawaii are not represented.

Responses to the Evaluation



C.L. "BUTCH" OTTER
GOVERNOR

December 4, 2013

Director Rakesh Mohan
Office of Performance Evaluations
945 W. Jefferson St.
Boise, ID 83702

Dear Rakesh,

Thank you for providing me with a copy of the Office of Performance Evaluations' study: *Assessing the Need for Taxpayer Advocacy*. I appreciate the opportunity to respond.

I have fought tirelessly for the protection of individual rights throughout my years of public service, and taxpayer rights are no exception. I have advocated for and insisted upon fair and understandable tax policies to reduce and minimize the impact of our tax system on businesses and families. As a result, Idaho's tax system has become a symbol for the Idaho way of life by encouraging economic growth and minimizing government intrusion so individual Idahoans can reach their own best potential.

I have worked closely with the Legislature and the State Tax Commission to develop and implement a comprehensive, incremental compliance plan to address our tax gap. Although we have seen positive results, it is the responsibility of the government to constantly pursue dynamic and pragmatic approaches. The recommendations presented within *Assessing the Need for Taxpayer Advocacy* fall within this scope.

Taxpayer advocacy creates an important liaison between Idaho taxpayers and revenue departments. As addressed within the report, complex policies and poor accessibility to clear, comprehensive information have created obstacles difficult for many Idaho taxpayers to overcome. Your work identifying those factors has provided valuable insight as policymakers continue to carefully consider and discuss how best to overcome these obstacles.

I appreciate your efforts to collaborate with the State Tax Commission, the Board of Tax Appeals, the Office of the Attorney General, Legislative Budget and Policy Analysis, the Idaho Society of CPAs, and the Idaho Association of Tax Consultants in developing this

report. Our system of government can only succeed with the active participation and civic virtue of people like you.

As Always – Idaho, “Esto Perpetua”

A handwritten signature in black ink, appearing to read "C.L. Butch Otter". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

CLO/kk

C.L. “Butch” Otter
Governor of Idaho

November 27, 2013

Rakesh Mohan, Director
Office of Performance Evaluations
Idaho Legislature
P.O. Box 83720
Boise, ID 83720-0055

RE: Final Draft Report on Assessing the need for a Taxpayer Advocate

Dear Mr. Mohan:

Thank you for the opportunity to respond to this important study: *Assessing the Need for Taxpayer Advocacy*. The Commission wishes to thank you and examiners Amy Lorenzo and Hannah Crumrine for this thorough, balanced, and professional review.

The Idaho State Tax Commission strives to provide professional and courteous service while ensuring that Idaho's tax laws are administered fairly and equitably. The Commission entered into this review process with the hope that an examination by an unbiased outside party would clearly determine whether we were being successful in that objective. Unfortunately, as the study points out, the data collected in our tax administration processes does not include the information needed to resolve that question in a quantitative, statistical way. The good news is that we are embarking on an upgrade of our integrated tax processing software (GenTax), making this a very good time for us to develop new processes for gathering and analyzing the proper data to measure and improve our taxpayer service-related performance.

Your review highlights other areas where – we agree – we have much that we can improve upon. We view these not as criticisms, but as opportunities for improvement that we can embrace. Indeed, several of these changes are already underway:

Taxpayer Rights: By the date of publication of this final report, or soon thereafter, our website will make access to the Taxpayer Bill of Rights much more prominent and easily accessible. While we may not be able to address the stylistic aspects of Idaho's Taxpayer Bill of Rights that your report points out (the statutory focus on professional conduct on the part of Commission employees rather than on specific taxpayer rights), statute changes may not be necessary in order for us to make the Taxpayer Bill of Rights more practical and user friendly. We are working to draft language for use in our publications that translates those rights clearly, from a taxpayer's perspective, rather than as a list of actions required or prohibited by the Commission.

Wage Garnishment: The Commission has started collecting data on lien and garnishment filings. Collection of the data began in July of 2013 and will allow for an analysis of trends in the use of these collection tools.

Liens: Liens have been an area of particular concern to taxpayers, due to the long-term effects on a taxpayer's credit standing. State code directs us to place liens on taxpayers with delinquent tax liabilities. But in an effort to emphasize the "carrot" more than the "stick" approach, the staff of our Collections Division has devised new methods and timelines so that taxpayers who will work with us by entering six-month or shorter payment agreement terms can avoid liens altogether.

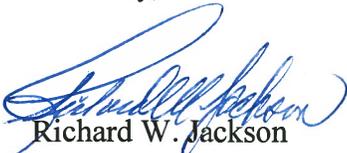
Protests and Appeals: Additionally, the Commission plans to improve a case management tool for issues that enter our appeals process. This updated tool may be integrated with GenTax as described above in order to leverage existing data already present from audit and collection cases. Taxpayers will benefit from these changes in terms of more accurate, timely responses to their inquiries during the appeals process, as well as in quicker resolution of cases.

Customer Service: We will work with our software provider to find ways to collect information that categorizes, quantifies, and tracks taxpayer concerns and the resolution to those concerns.

Public Information and Outreach: The process of updating and improving taxpayer educational materials is ongoing. Subject matter experts are continuously reviewing and revising brochures in an effort to provide current and reliable information to taxpayers and tax professionals.

All of us at the Tax Commission are taxpayers ourselves. And each of us consider ourselves taxpayer advocates as we keep the playing field level for the vast majority of taxpayers who abide by Idaho's tax laws. Regardless of the decision to implement a more formal Taxpayer Advocate position or not, the Idaho State Tax Commission will strive to continuously improve our service to Idaho taxpayers and tax professionals and ensure a revenue system that is fair, equitable, and responsive to all our citizens.

Sincerely,


Richard W. Jackson
Chairman

rwj/drl/rt/vjd

cc: The Honorable C.L. "Butch" Otter, Governor

Office of Performance Evaluations Reports, 2012–Present

Publication numbers ending with “F” are follow-up reports of previous evaluations.

Pub. #	Report Title	Date Released
12-01	Reducing Barriers to Postsecondary Education	January 2012
12-02F	Delays in Medicaid Claims Processing	January 2012
12-03	Lottery Operations and Charitable Gaming	February 2012
12-04	Establishing an Efficiency Commission	February 2012
12-05F	Coordination and Delivery of Senior Services in Idaho	February 2012
12-06F	Operational Efficiencies in Idaho’s Prison System	February 2012
12-07F	Idaho’s End-Stage Renal Disease Program	March 2012
12-08F	Idaho Transportation Department Performance Audit	March 2012
12-09F	Delays in Medicaid Claims Processing	November 2012
12-10F	Increasing Efficiencies in Idaho’s Parole Process	November 2012
13-01	Workforce Issues Affecting Public School Teachers	January 2013
13-02	Strengthening Contract Management in Idaho	January 2013
13-03	State Employee Compensation and Turnover	January 2013
13-04	Policy Differences Between Charter and Traditional Schools	March 2013
13-05F	Coordination and Delivery of Senior Services in Idaho	March 2013
13-06	Guide to Comparing Business Tax Policies	June 2013
13-07F	Lottery Operations and Charitable Gaming	June 2013
13-08F	Governance of EMS Agencies in Idaho	June 2013
13-09F	Equity in Higher Education Funding	June 2013
13-10F	Reducing Barriers to Postsecondary Education	June 2013
13-11	Assessing the Need for Taxpayer Advocacy	December 2013
13-12	The Department of Health and Welfare’s Management of Appropriated Funds	December 2013

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