

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, January 14, 2014
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Rice, Senators Hill, Johnson, Vick, Bayer, Werk, and Lacey
ABSENT/ EXCUSED: Senator McKenzie
NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Siddoway** called the Local Government and Taxation Committee (Committee) to order at 3:07 p.m.

PRESENTATION: **Chairman Siddoway** introduced Amy Lorenzo and Rakesh Mohan of the Office of Performance Evaluations (OPE) to share a presentation. The full report, "Assessing the Need for Taxpayer Advocacy," is available online at this link: <http://www.legislature.idaho.gov/ope/publications/reports/r1311.html> A summary of the report is attached with these minutes. (see attachment 1.)

Rakesh Mohan said OPE had performed an assessment to determine if a Taxpayer Advocacy Office was needed in the state of Idaho. He said their office encountered some problems during the research process because data was unavailable as it is usually kept in individual tax files, and therefore data was not consistent because documents could not be analyzed. **Mr. Mohan** said they also looked into state laws, as well as interviewed tax commissioners, tax professionals and workers at a federal taxpayer advocate office.

Chairman Siddoway introduced Idaho State Tax Commission (Commission) commissioners, Chairman Rich Jackson, Commissioner Tom Katsilometes, Commissioner David Langhorst, Commissioner Ken Roberts, and Michael Chakarun, who is the liaison between the Commission and the Committee.

Amy Lorenzo gave a brief summary of the report findings and recommendations. She stated a taxpayer advocate is not an indication of a problem or deficiency within the Commission. There is a taxpayer advocate at the national level that is independent from the Internal Revenue Service (IRS). The national taxpayer advocate guidelines state that the advocates must send their annual report directly to Congress and operate under eight guiding principles. The guidelines also require that the taxpayer meet certain eligibility requirements in order to receive services. **Ms. Lorenzo** said 29 states have some sort of taxpayer advocate office, and all states were found to function differently. She stated that a taxpayer advocate is more than a problem solver. It is a state function within the Commission that ensures that all taxpayers are treated fairly throughout the tax collection process. She said a taxpayer advocate also offers systemic advocacy and acknowledges system wide problems while making recommendations to the Commission and the Legislature, for process improvements. She said the Commission does not keep statewide data that would help with this.

Ms. Lorenzo said part of the evaluation was the relationship between the Commission's compliance initiative and the increase in staff to fulfill that goal. She said the Commission is limited in protective management decisions because it does not have a statewide framework. She said at the same time the Commission was leading its compliance initiative, it was also undertaking significant outreach efforts. She said ultimately, the data limitations prevented OPE from definitively assessing whether Idaho needs a taxpayer advocacy office.

Ms. Lorenzo said of the 2012 individual tax returns examined, their office found that 69 percent of individual tax returns reported a taxable income of \$25,000 or less, and 50 percent of filed returns were prepared without the assistance of a paid preparer.

Ms. Lorenzo shared that one of the other mechanisms that Idaho uses to help define the working relationship between the taxpayers and the Commission is its Taxpayer Bill of Rights. She said Idaho is one of 45 states that do have a Taxpayer Bill of Rights, but it is more of a directive on how Commission staff should interact with taxpayers than identifying individual rights. **Ms. Lorenzo** said when the documents were examined, they were not found to be comprehensive, and did not provide the entire list of taxpayer rights. She said when their office reviewed the Commission's newly launched website, they were not able to locate the Taxpayer Bill of Rights or any relevant publications on the website.

Ms. Lorenzo said as part of the evaluation, tax professionals and Commission staff were consulted for a number of interviews. She said tax professionals supported the idea of a taxpayer advocacy office, especially in situations when the tax professional or the taxpayer is unable to come to a resolution with Commission staff. Commission staff often questioned the need for a taxpayer advocate, and the staff is committed to working with taxpayers to resolve any problems they may have.

Ms. Lorenzo said in addition to interviews, surveys were completed with tax professionals and Commission staff in order to gain a sense of those working relationships and how those groups were working together. The survey found that tax professionals rated the Commission less favorably on the Commission's ability to balance its collection responsibilities with the livelihood of Idaho taxpayers. The Commission staff rated themselves higher at both case advocacy and systemic advocacy.

Ms. Lorenzo said their office recommended the Commission update the Taxpayer Bill of Rights publications and make them more accessible and also take steps to improve data management. She said the policy considerations for legislators include asking the questions: Should an advocacy office be created as a formal office or division? Should the office be housed within the Commission? Should the office be established in statute? Should a taxpayer advocate track case loads and/or outcomes? Should a taxpayer advocate be required to meet eligibility criteria?

Senator Johnson asked about the number of respondents to the survey. **Ms. Lorenzo** said 417 responses were received. She said the question asked on the survey was whether the Commission had a level of independence to make decisions in order to serve the taxpayer.

Senator Hill asked if the states that have adopted an advocacy office have seen any difference in the public's perception of their tax commissions before and after establishing an advocacy group. **Ms. Lorenzo** said that the states are not consistent in how case loads are tracked, and not every state was interested in that perception piece.

Senator Werk asked where the proposal for the study came from. **Mr. Mohan** answered that the request came from Senator Brent Hill, Senator Bert Brackett and Senator Les Bock, and the proposal was also signed by the Chairman of the Commission, Rich Jackson.

Chairman Siddoway asked how many states have circumstances similar to Idaho's, if Idaho were to do an advocacy group, how large of a staff would be needed to implement it and what kind of financial backing would be needed. **Ms. Lorenzo** answered that there is no correlation between the size of the state and the number of staff needed. She said the smallest staff is one and the largest staff is 28. **Ms. Lorenzo** said their research examined median income in the state to determine if that played a role, but it was not a factor.

Chairman Siddoway invited Rich Jackson, Chairman of the Idaho State Tax Commission, to share his evaluation of the audit. **Mr. Jackson** said in most cases, the problem resolution officer tries to find a spot that allows taxpayers equal footing, whether they can afford professional help or not. He said most processes were good and in some cases some weaknesses were found. **Mr. Jackson** said with regard to tax law, there needs to be awareness of the changing times and the need to be responsive to the individual rights of the taxpayer.

Senator Hill stated that Idaho's population has recourse options that other states do not, including the State Board of Tax Appeals. **Mr. Jackson** said there are different options in different states.

Vice Chairman Rice said there has been discussion about statistical information that might be useful to collect. **Mr. Jackson** said a statistician has been hired and will examine the processes that will help manage decisions.

ADJOURNED: There being no further business, **Chairman Siddoway** adjourned the meeting at 3:40 p.m.

SECRETARY'S NOTE: These minutes were originally recorded by Committee Secretary Marchelle Fias. Upon her departure, Majority Staff Assistant David Ayotte assisted with them.

Senator Siddoway
Chair

Christy Stansell
Secretary