

An Interview With Idaho State Tax Commission Chair Tom Harris

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In this installment of *Outside Tax Thoughts*, McGown summarizes an interview with Tom Harris, chair of the Idaho State Tax Commission.

Chairman Tom Harris has been at the Idaho State Tax Commission since May 2019, and he's still learning how the agency works. He's a quick study, but he already had the knowledge and experience Gov. Brad Little (R) wanted.

"When the governor's office asked me to be the chairman, I told them I wasn't a tax guy," the retired Western States Equipment president said. "They told me they weren't looking for a tax guy, and that's what they got."

It turns out Harris's lack of tax expertise hasn't been a problem. His own skill set more than makes up for it.

"I know how to run a large organization — a complex organization — and there are a lot of similarities between the tax commission and Western States," Harris said. "We had five businesses under one roof that you had to wrangle and keep harmony in. And the tax commission is much the same. There's a lot going on, and you have to keep all the pieces in mesh."

Little appointed him in part because the governor's office and the Legislature lacked

confidence in the tax commission. However, Harris was pleased by what he found when he started the job. "I thought the agency was going to be in disarray, and I expected a lot of dysfunction here. But what I found was hundreds of dedicated people that work hard for the state of Idaho and do the right thing every day."

Harris came to realize that communication was the biggest problem.

"If the reality is, we're in pretty good shape but the perception is something different, we have a communication gap. We're trying to work on the communication to the governor's office. We've been much more connected to them and keep them apprised of what we're doing. We're also working to keep the Legislature up to speed."

Harris said several changes to the commission's organizational structure in recent years have improved the agency. They included separating the audit division from the collection unit and appeals from tax policy. Commissioners created the taxpayer resources unit to improve communications, customer service, and stakeholder relations.

"The changes were made to better serve the taxpayer and to remove the perceived conflicts within the organization," Harris said. "A lot of pieces were put in place that I get to take advantage of that somebody else did. I can't take any credit for it."

Commission stakeholders generally seem to like the agency's customer service improvements. Respondents to fall 2019 surveys of taxpayers, tax practitioners, local elected and taxing district officials, and state elected officials — primarily legislators — gave the commission high marks for being courteous, knowledgeable and fair.

Understanding the agency's information remains

a relative sore spot, with favorable responses ranging from 52 percent to 31 percent.

Harris said making it easier for people to understand the tax commission's letters, forms, instructions, and other communications is a goal of stepped-up efforts to instill "plain talk" skills through more staff training.

Separating Appeals and Operations

Unlike many states that have a director managing their revenue department, Idaho has four commissioners. "I've never seen an organization that could have four leaders and be effective," Harris said. "This agency is a little bit unique. My personal view is probably one person running the agency would be a good idea."

Little agrees, and recently authorized Harris to restructure the tax commission's executive administration. Changes effective January 1, 2020, include separating the agency's appellate functions under the four commissioners, and the chair appointing a director to oversee tax operations, including revenue operations, collections, audit, property tax, and taxpayer resources.

The agency's existing appeals division, including its legal and administrative personnel, supports the commissioners in hearing appeals and overseeing settlement meetings, and when they sit as the state Board of Equalization, hearing disputes over county property tax valuations. Commissioners continue to have authority over approving the agency's legislative proposals and rules governing administration of tax laws. Harris continues to lead day-to-day operations during the search for a director, which he said could take several months.

The state's Board of Tax Appeals — already a separate entity — remains in place to hear appeals from tax commission appellate decisions. Some challenges can continue straight to district court.

Harris noted that nowhere else in Idaho's state government is any agency led by a board or commission alone without a director who's immediately responsible for operations. The tax commission and its predecessors in administering Idaho's evolving tax structure have seen many changes over almost 130 years of state history. The latest restructuring will have no impact on taxpayers or most of the agency's employees.

"Our goal is to address concerns about potential or perceived conflicts of interest between operational functions and cases on appeal," Harris said. "At the same time, we're empowering our leadership team of division administrators and department heads to more efficiently and effectively manage daily business with a single point of oversight."

Strategic Planning

Beyond the mechanics of restructuring, Harris is working to make the entire agency more strategic. "At Western States, developing and executing strategy was the center of everything we did. I'm trying to bring that to the tax commission."

Before Harris came aboard, the strategic planning process was largely a required paperwork exercise that didn't have much impact on the commission's day-to-day operations. One of his first tasks as chair was to guide the agency's leadership team through a more robust and meaningful strategic planning process targeting such weaknesses as stakeholder support and recruiting and retaining talent while leveraging such strengths as operational efficiency and use of technology. "We've drawn a road map of where we're going. We have action items that are in line with that strategy," he said.

One of those action items is improving relationships with stakeholders, from tax professionals to legislators. Before Harris came aboard, the tax commission was dealing with the political fallout from delays in the state's receipt of income tax withholding revenue in the wake of sweeping federal and state tax reforms. That left lawmakers concerned about the impact on the fiscal 2020 budget.

"Nobody really knew what the withholding revenue would be. But we got most of the money back when people filed their tax returns," Harris said. "The latest income tax numbers are ahead of the forecast, so it's starting to turn around."

As he was learning about that issue, the commission was implementing a new law requiring some out-of-state retailers and marketplace facilitators to collect Idaho sales tax. The state expected to collect about \$31 million from those businesses during the first fiscal year

in a special tax relief fund, but almost \$29 million came in through the first five months alone.

Looking to the Future

Harris said the commission's biggest challenge going forward is providing more services, with the same or fewer resources, for a growing population of taxpayers. "We realize that we're going to keep the same number of employees even as the state gets bigger and we process more tax returns and money," he said. "That means we need to leverage our technology to get more out of it, and we need to work on more process improvement."

Harris also sees a tide of retirements changing the tax commission leadership team significantly in the next few years. "When we interview replacements, we're looking for the soft skills of a leader first, and then the technical skills," he said. "Everybody who's been selected recently and going forward — they're going to be great leaders. Leaders can get people to follow, and leaders can explain the mission of the organization and what we're trying to do and get people to align with that."

He's counting on the expertise of his staff to ensure the agency's future success. "There are people who've been in this business 30 years. I have a lot of resources to get up to speed," Harris said. "The people at the Idaho State Tax Commission are dedicated to serving the taxpayers of the state. I've been really blessed to be given this team." ■

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