Balancing Tax Administration and Tax Policy

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Administration

• Voluntary compliance
• Resources to administrate
• Evaluate impact of legislative changes before implementation
Say What You Mean; Mean What You Say

• Bright lines (clear definitions)

• Simplicity
  ▪ For taxpayers
  ▪ For tax preparers
  ▪ For tax administration
Consistency

- Consistency/uniformity between states
- Consistency in policy
Communication

• Constituent issues on tax matters
• Disclosure requirements/confidentiality
• Engage:
  ▪ Tax agency early and often
  ▪ Constituents
  ▪ Policy makers
  ▪ Industry groups – FTA, MTC, IAAO, SSTA
Forward Thinking

- Adaptability to changing ways of doing business
- Statute reviews
- Principles of taxation
  - Equitable
  - Simple
  - Predictable
  - Stable
  - Broad-based
  - Transparent
  - Competitive
Idaho Update
Exemptions, Exclusions, Credits & Deductions

All Tax Types

- Sales Tax 1965 original exemptions $1.859 billion est.
  Since 1965 $ .222 billion est.
  Sub Total Exemptions $2.081 billion est.
  Collections $1.553 billion actual
  Total $3.634 billion est.

- Individual & Corporate Income Tax $320 million actual

- Property Tax on our second time through the alphabet. We are now at IC 63-602 NN (most are not tracked).
Other Initiatives

- Data-driven decision making
- Customer service
- Independent appeals process
- Legislative outreach
Emerging Trends
Tax Fraud/Identity Theft

PAST:

• Traditional fraud
  ▪ Use of stolen IDs generally used in other states but doesn’t involve taxpayers from home state

• “Cost of Doing Business”

• States, IRS, and Industry addressed fraud on their own
**Tax Fraud/Identity Theft (cont.)**

**PRESENT:**

- **Identity Theft**
  - Involves a victim who needs help through the process
  - More difficult to identify

- **Criminals are persistent & sophisticated**
  - Fraudulent returns sent beyond the April due date
  - Data breaches
  - Phishing schemes

- **Collaboration to fight fraud**
  - IRS, States, Industry (Tax preparation software companies, financial institutions, tax professionals)

- **State resources shifting to detect and prevent fraud**
Tax Fraud/Identity Theft (cont.)

FUTURE:

• More collaboration among impacted entities
• Legislation enabling data sharing with trusted parties
• Resources to concentrate on fraud detection and prevention efforts.
• Adequate time to process returns
• Taxpayers’ expectations may need to be managed
Other Trends

• Sales tax suppression
• The sharing economy
• Online sales
• What’s next?
Questions?

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