

# Balancing Tax Administration and Tax Policy

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# Lessons Learned

## from Legislator to Tax Administrator

# 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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