

Indiana Department of Revenue



Annual Public Hearing Minutes

June 21, 2016

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INDIANA DEPARTMENT OF REVENUE 2016 ANNUAL PUBLIC HEARING MINUTES SUMMARY

In accordance with the Indiana Taxpayer Bill of Rights, the Indiana Department of Revenue held its Annual Public Hearing in Conference Room 22 of the Conference Center, Indiana Government Center South, 402 W. Washington St., Indianapolis, Indiana on June 21, 2016.

Required by Indiana law, the purpose of this annual public hearing is to provide taxpayers an opportunity to recommend changes in statutes, departmental policies, processes, and procedures to help the department better administer tax laws.

Individuals in attendance representing the Indiana Department of Revenue were:

- Commissioner Andrew Kossack
- General Counsel Asheesh Agarwal
- Deputy Commissioner of Collections Milton Cuevas
- Chief Financial Officer Valerie Hunt
- Chief Information Officer Kevin Gulley
- Deputy Director of Project Management Office Emily Wann
- Taxpayer Advocate Office Representative Laura Bates
- Deputy Commissioner of Tax Administration Bob Dittmer
- Deputy Commissioner of Enforcement Ron Broughton
- Deputy Commissioner of Special Tax Jim Poe
- Director of Public Relations Amanda Stanley
- Deputy Commissioner of Policy and Compliance Patrick Price

Individuals in attendance but not at the head table:

- Shane Doss (PR multimedia recording – no video necessary)
- Katie McLear (PR support/minutes)
- June Shompa (PR support)
- Grace Bultman (PR support)
- Berkley Koger (PR support)
- Erin Hurtle (PR support)
- Betsy Shroyer (Enforcement)
- Christopher Perry (Enforcement)

- 10:00 a.m. Call to order by Amanda Stanley
- 10:00 a.m. Opening remarks by Amanda Stanley
- 10:01 a.m. Commissioner opening remarks (see attached)
- 10:09 a.m. Introduction of those in attendance representing the Indiana Department of Revenue
- 10:10 a.m. Call from the commissioner for comments from the public
- 10:11 a.m. Comments from Kyle Simmerman (see attached)
- 10:17 a.m. Commissioner expressed appreciation for Simmerman's comments
- 10:17 a.m. Amanda Stanley called for additional comments from the public
- 10:17 a.m. Question from Heidi Aguirre on behalf of California Auto Sales
- 10:19 a.m. Response from Christopher Perry
- 10:19 a.m. Response from Amanda Stanley
- 10:20 a.m. No more comments from the public; Amanda Stanley adjourned the annual public hearing

Stanley Opening Statement:

Thank you for attending the Indiana Department of Revenue's annual public hearing. This hearing, as required under Indiana code, is for the purpose of providing taxpayers the opportunity to make recommendations to the department on the administration of the tax laws in our state.

This hearing is not a news conference or media opportunity. Nor is it a forum to debate Indiana tax laws – those are established by the General Assembly.

This is an opportunity for the public to suggest improvements in tax services and processing. We are always looking to improve our services to the taxpayer and we are very interested in hearing your ideas and suggestions.

When you wish to make a statement, please identify yourself by name and simply address the commissioner.

At this time it is my pleasure to introduce the commissioner of the Indiana Department of Revenue, Andrew Kossack.

Commissioner Opening Statement:

Thank you, Amanda.

It is my pleasure to be here with you today and I look forward to your thoughts and ideas. We at the department always appreciate opportunities to continue to develop our partnerships with the taxpayer and practitioner communities, so we're glad to be with you this morning. I continue to be impressed with the quality and dedication of my colleagues at the department and their focus on providing Indiana taxpayers the very best service they can provide.

We continue to dedicate ourselves to that service. Indeed, we intend to improve upon that service record to become the premier state revenue department in the country. We are not there yet, and we have many miles to travel to accomplish that goal, but we are on our way.

Not only have we just completed another effective and efficient individual income tax season, but we've worked on a number of other exciting projects over the past year. Just a few examples:

- We expect to achieve 85% e-filing this year for individual tax returns. This is consistent with last year's numbers and up from 45% in 2005.
- The department achieved a significant increase in our ability to take telephone calls this year with a very minimal hold period. Throughout the tax season, we took more than 120,000 telephone calls pertaining to individual income taxes and the Identity Protection Program. We answered 90.4 percent of individual income tax phone calls the first time,

compared to 75.4 percent last tax season. We answered 92.7 percent of Identity Confirmation Quiz calls the first time, compared to 81.4 percent last tax season.

- We established the Identity Protection Program in 2014 to both protect Hoosier taxpayers from identity theft and to protect the state from issuing fraudulent refunds. Since its inception, the Identity Protection Program has identified and stopped more than \$100 million in attempted identity theft and tax refund fraud. So far this year, the program has helped more than 3,600 taxpayers discover their identities were stolen and used to file fraudulent Indiana tax returns. As part of the program, more than 211,000 taxpayers have been asked to complete and Identity Confirmation Quiz. More than 140,000 taxpayers already have completed successfully this quiz. An additional 30,000 taxpayer identities have been confirmed through other program efforts. The amount of fraud identified and stopped continues to evolve. However, the success of Indiana's program is not only in stopping fraud but in deterring it. As such, we may continue to find less fraud in future years as the program continues.
- Last year (September 15 – November 16, 2015), the department conducted Tax Amnesty 2015. The program allowed business and individual taxpayers to pay past-due taxes from periods ending prior to Jan. 1, 2013 free of penalty, interest and collection fees. As of June 14, 2016, more than 91,000 taxpayers participated in the program, and the department collected \$189 million in cash payments. Final installments for Tax Amnesty 2015 payment plans were due June 15, 2016, and a Tax Amnesty 2015 Final Report will be available soon. This program helped thousands of Hoosier taxpayers become compliant and move forward in good standing with the department. Taxes collected funded important economic programs including the Indiana Economic Development Corporation's Regional Cities Initiative and the Indiana Department of

Transportation's Hoosier State Passenger Rail, among other programs added by legislation during the 2016 legislative session.

- In 2012, at the recommendation of Deloitte & Touche, the Indiana Department of Revenue was advised to create a long term vision. This recommendation included conducting a study of the department's current tax systems and related processes. An Integrated Tax Season (ITS) study was authorized and is now underway. The goal of the study is to help the department develop a long term vision with regards to customer service, compliance, operations, finance, technology, information management, organizational structure and policy. The department currently is in the midst of the third of four phases. More information will be provided as we progress.
- INBiz, a new system that will replace the Indiana Department of Revenue's current business registration process, BT-1, is scheduled to launch in August. INBiz will allow users to easily and efficiently register their business with the Secretary of State, the Indiana Department of Revenue, and the Indiana Department of Workforce Development. INBiz will serve as a single point of contact for businesses when conducting business with the state. The Secretary of State portion of INBiz launched in April, and enables businesses to register with the state, file key reports, and request corporate documents. More information will be announced closer to the August launch date.
- We continue to successfully transition business taxpayers to electronic filing. Approximately 95 percent of our trust taxes are now filed and paid electronically. The IT-20S and IT-65 both are available electronically. As of June 15, more than 41,000 IT-20S forms have been e-filed and 17,000 IT-65 forms have been e-filed. This represents approximately 42% of all corporate forms.

- Overall, we process more than \$18 billion annually.

As I look forward, I have four major goals in mind for the department:

- **First**, we will continue to strengthen the accuracy and reliability of our processing and reporting systems. We continue to improve our technology and have a number of upgrades in progress right now. The Integrated Tax System (ITS) study, which I mentioned before, is a key project that will help us make these improvements and map out our long-term goals.
- **Second**, we will improve the tax filing and regulatory experience for small business and individual taxpayers. We successfully upgraded the INtax system last summer, and we will continue to add tax types to the system. We also will launch INBiz this summer, which I mentioned briefly a few minutes ago. These changes will improve the tax filing and regulatory experience for Indiana taxpayers.
- **Third**, we will improve taxpayer compliance yielding increased tax revenues. We have a number of programs focused on ensuring that Hoosier taxpayers have a level playing field – people and businesses all pay what they owe, but not more.
- And **finally**, we will concentrate on preparing our people for future success.

At this point I would welcome your observations and input. I may, as needed, ask some of my staff to assist me in our dialogue. Let me introduce some of them to you.



**Indiana CPA Society
Annual Public Hearing
Comments
Indiana Department of Revenue
June 21, 2016**

Good morning Commissioner Kossack and others; thank you for the opportunity to provide comments. My name is Kyle Simmerman. I am a CPA and a state tax partner with BGBC Partners, LLP in downtown Indianapolis. We are a local, eight partner CPA firm and BDO Alliance USA member providing our firm with a national presence and resource accessibility.

I serve as the chair for the Indiana CPA Society's Tax Resource Advisory Council, I appreciate the opportunity to meet with you today. On behalf of our nearly 8000 members and the clients and employers they serve, thank you for the work you do every day in service to the citizens of Indiana.

Commissioner Kossack, as you approach your administration's one-year anniversary, congratulations on that; I trust you know that we appreciate what has been accomplished in this short time. We are especially appreciative of your willingness to meet regularly with our TRAC members to work on solutions to the issues of the day. Those exchanges help head off problems and often result in fixing even relatively minor issues. It is clear that you are committed to stakeholders and to continuing our strong working relationship built by your predecessors and mine. I offer a special thank you for that commitment.

As evidenced by the smooth administrative transition, we recognize the staff at DOR are hard-working, knowledgeable and above all, interested in supporting the principles of sound tax policy and customer service. As an increasing number of key 'baby boomer' department staff continue to retire we support efforts to pass on the expertise and years of institutional knowledge to those rising in the ranks. A focus on continued communications and outreach to tax professionals and taxpayers will help support these efforts. The district office visits you are conducting across the state offer taxpayers and practitioners the opportunity to address any concerns face to face.

When we met with you and your team last month we covered a number of issues, many of which have been successfully resolved. We believe the remaining issues are being addressed to the best of the department's ability given some technological and legal limitations which are beyond your control. We are strong advocates for the development of the Integrated Tax System and like you probably, we wish it could be completed tomorrow. Thank you for including our end-user input in the process.

Among the big projects on your to do list when you took over the reins was the 2015 Tax Amnesty and the Identity Protection Program. Both programs affect every taxpayer in Indiana. Despite the database and third party vendor issues which your team worked through as quickly as possible, the Tax Amnesty program contributed \$180 million plus to the State's coffers

funding Regional Cities, education, health and roads and transportation initiatives around the state. Likewise, enhanced security features of the Identity Protection Program continue to deter and stop tax related fraud and id theft that costs every Hoosier tax dollars and resources.

Two key issues our members were especially pleased to see implemented were the changes to Nonresident Withholding processes and composite returns. Simplifying these processes reduces confusion and is business and taxpayer friendly.

Expanding online filing to include IT-20S and IT-65 filings over the last two years has admittedly been challenging, however we recognize the considerable resources DOR put towards these efforts and appreciate your commitment to improvements this next tax season.

Looking forward, we are committed to working with the Department's teams on the following:

- A clear timeline for registration and certification for vendor software for online filing for IT-20S and IT-65 so that they are available at the opening of tax season
- Guidance regarding application of the retroactive provision of SEA 309 related to time and materials
- Guidance related to the Supreme Court decision for Maryland vs. Wynne
- Draft regulation to clarify residency issues for the non- filer program
- Support for expansion of INtax capabilities
- Better understand R &D credits and related compliance issues
- A reasonable approach to collections, especially related to third party collections agencies and sheriff offices
- Resolution of remaining Best Information Available (BIA) issues
- Support for the Integrated Tax System (ITS) to be implemented as soon as possible
 - Electronic payment of estimates and taxes due without INtax (warehousing payments)
 - Ability to show estimated payments by year and payment history
 - Improved processing of amended returns
 - 24/7/365 availability

Commissioner, thank you and your dedicated staff, for your service to the taxpayers of Indiana and to your commitment to provide a business-friendly environment in our state.

Respectfully submitted:

Kyle A. Simmerman, CPA
Indiana CPA Society Tax Resource Advisory Council

The Indiana CPA Society is a state professional society with approximately 8,000 members. Our members represent taxpayers across the state including individuals, small businesses, not for profits and publicly traded companies.

Heidi Aguirre, on behalf of California Auto Sales, Statement

Ms. Aguirre spoke on behalf of her father Mr. Wil Aguirre and his business California Auto Sales. Ms. Aguirre requested clarification on sales tax remitted on the sale of a car when the purchaser has paid only the down payment.