

**UTAH STATE TAX COMMISSION
MEETING MINUTES**

9:00 a.m., Thursday, October 10, 2013

Commission Room 1000, 210 North 1950 West, Salt Lake City, Utah

Participating:

R. Bruce Johnson - Commission Chair
D'Arcy Dixon Pignanelli - Commissioner
Michael J. Cragun - Commissioner
Robert P. Pero - Commissioner
Barry Conover - Executive Director

Commission Office:

Christa Johnson, Commission Executive Assistant
Charlie Roberts, Public Information Officer
Aman Kudiya, Internal Audit Director
Drew Hildebrandt, Information System Auditor

Executive Director's Office:

Lynn Solarczyk, Director of Legislation
Denny Lytle, Property Tax Division Director

Note: A copy of related materials and an audio recording of the meeting can be found on the Tax Commission website: <http://tax.utah.gov/commission-office/meetings>.

I. Call to Order

Commission Chair Johnson called the meeting to order at 9:00 a.m.

II. Public Comment (individuals or groups wishing to address the Commissioners for up to three minutes on matters not related to a pending or reasonably imminent appeal to the Tax Commission)

Commission Chair Johnson noted that no one from the public was in attendance.

III. Consider Approving Special Commission Meeting minutes of Tuesday, September 17, 2013

Commissioner Dixon asked that action on the Special Commission Meeting minutes of Tuesday, September 17, 2013, be delayed until the following meeting.

IV. Approve Submission of Proposed Rule R884-24P-53. 2014 Valuation Guides for Valuation of Land Subject to the Farmland Assessment Act Amendment to Division of Administrative Rules for publication in the Utah Register

Commissioner Dixon introduced the following proposed rule amendment for the Commission to consider and submit for publication to the Division of Administrative Rules:

- a. R884-24P-53 2013 Valuation Guides for Valuation of Land Subject to the Farmland Assessment Act Amendment Pursuant to Utah Code Ann. Section 59-2-515

Commissioner Dixon as Chair of the State Farmland Evaluation Advisory Committee (“Farmland Committee”) gave an overview of the committee’s membership and role. She said the committee met on October 2, 2013 and October 7, 2013, to consider the DRAFT Farmland Evaluation Report prepared by Utah State University (USU). The report analyzes the several classifications of land in agricultural use in the various areas of the State and recommends values based upon productive capabilities of the land when devoted to agricultural use.

Commissioner Dixon explained that values in the report are summarized according to six land uses: Irrigated Cropland, Orchard Cropland, Meadow Cropland, Dry Cropland, Grazing Land and Non-Production Land. To derive the values for each land use USU looked at changing crop prices, changing costs, crop yields (or productivity) and crop mixes. These items are augmented by data limitations. The final values are based on a five-year average. The data represents 2012 production levels, which USU gathers in 2013, and are used to recommend land values for 2014. The Farmland Committee voted unanimously to recommend the values in the USU Report for 2013 to the Tax Commission. These values are in the updated R884-24P-53 now before the Commission.

MOTION: Commissioner Dixon moved submission of proposed Rule R884-24P-53 2014 Valuation Guides for Valuation of Land Subject to the Farmland Assessment Act to the Division of Administrative Rules. The motion passed unanimously.

V. Approve submission of proposed rule amendments to Division of Administrative Rules for publication in Utah Register

Commissioner Pero introduced the following proposed rule amendment for the Commission to consider and submit for publication to the Division of Administrative Rules:

- a. R884-24P-29. Taxable Household Furnishings Pursuant to Utah Code Ann. Section

Commissioner Pero said the amendment to rule R884-24P-29 clarifies that household furnishings, furniture, and equipment that meet the definition of qualifying exempt primary residential rental personal property under Section 59-2-102 receive the primary residential exemption and are valued for property tax purposes by calculating the value of the personal property using the tables in Tax Commission rule R884-24P-33 multiplied by 0.55.

VI. Acceptance of Internal Audit Analysis of Processing of Payments and Returns during Income Tax Season 2013.

Commissioner Dixon, supervisor of the Internal Audit Unit in the Office of the Commission, recognized Mr. Aman Kudiya, Director of Internal Audit Unit, and Drew Hildebrandt Information System Auditor. She asked Mr. Kudiya to give details on the audit report.

Mr. Kudiya gave an overview of the audit examination of the Process Division's payment and return processing.

Mr. Conover stated that he appreciates the audit and thanked Mr. Kudiya and Mr. Hildebrandt.

Commissioner Dixon thanked the Processing Division for their cooperation with the Internal Auditing Division.

MOTION: Commissioner Dixon moved acceptance of Internal Audit Analysis of Processing of Payments and Returns during Income Tax Season 2013. The motion passed unanimously.

VII. Acceptance of Office of the Commission Policy on Digitization of Internal Audit Work Papers and Reports

Mr. Kudiya explained that the Internal Audit Division is moving forward to create a policy to digitize the documentation of Internal Audit working papers.

Commissioner Cragun said that Mr. Kudiya provided a copy to the Commissioners prior to the Commission meeting and he suggests some stylistic changes. He asked Commissioner Dixon if she would like to move forward and adopt the policy with the stylist changes or approve it at a later date.

Commission Chair Johnson said that he also had some stylistic changes and suggests including additional details on securing thumb drives in the policy.

Mr. Conover explained that Department of Technology Services (DTS) recently implemented a statewide thumb drive policy. The policy requires thumb drives to be hardware encrypted and inventoried. He said that the Tax Commission could integrate the statewide policy with the Internal Audit Division policy.

Commissioner Dixon thanked Commissioner Cragun for the thorough review, and Commission Chair Johnson and Mr. Conover for their input on the security aspects of the thumb drives. Commissioner Dixon recommends moving forward with the policy before the Commission, with the suggested stylistic changes. She recommended updating the policy at a future date to include additional requirements for the thumb drives.

MOTION: Commissioner Dixon moved adoption of Office of the Commission Policy on Digitization of Internal Audit Work Papers and Reports. The motion passed unanimously.

VIII. Executive Director's Report

Mr. Conover reported that the Western States Association of Tax Administrators (WSATA) conference was very successful and thanked Christa Johnson, Karen Lingard and Charlie Roberts

for putting the conference together. He was disappointed that the Internal Revenue Service representatives could participate in the conference due to the federal shutdown.

Mr. Conover reported that this weekend the Tax Commission is rolling out the VADARS project for Motor Vehicle title and registration. It is the agency's largest project to date. The conversion process begins on Friday, October 11, 2013 at 5:00 p.m. By Tuesday, October 15, 2013 the new system will be live. The next phase which will update the rest of the tax systems to GenTax release 9 starts in January 2014.

Commission Chair Johnson excused himself and turned the gavel over to Commissioner Dixon.

Commissioner Dixon noted that Commission Chair had excused himself.

Commissioner Dixon asked Mr. Conover what makes this the largest project and when did first begin.

Mr. Conover explained that the RFP was awarded in February of 2006 to Fast Enterprise. However, work started in 2003 to propose the system upgrade to the Legislature. The Tax Commission has been working on this project for over ten years.

IX. Commissioners Report

Commissioner Dixon thanked Commission Chair Johnson for his support to hold the 2013 WSATA Conference in Utah. She explained due to the economy turn down Utah co-hosted the 2013 WSATA Conference with Hawaii. This provided a chance for some of the Tax Commission employees to attend the conference breakouts.

X. Adjourn

Commissioner Cragun moved to adjourn the meeting at 10:16 a.m.

Approved on: Thursday, October 24, 2013

Attested: Christa Johnson

Executive Assistant

Utah State Tax Commission