

Indiana Department of Revenue



Annual Public Hearing Minutes

June 3, 2014

TABLE OF CONTENTS

| | |
|--|----|
| Minutes Summary..... | 3 |
| Bob Dittmer Opening Statement..... | 5 |
| Commissioner Mike Alley Opening Statement..... | 6 |
| Dave McDaniel Statement | 8 |
| First Letter from the Public..... | 11 |
| Second Letter from the Public | 12 |

**INDIANA DEPARTMENT OF REVENUE
2014 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 1 of the Conference Center, Indiana Government Center South, 402 W. Washington St., Indianapolis, Indiana on June 3, 2014.

As required by Indiana law, the purpose of this annual 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 Alley
- Bill Bahler (Customer Service)
- Ron Broughton (Enforcement)
- Milt Cuevas (Collections)
- Valerie Hunt (CFO)
- Aleta Jeffress (CIO)
- Jim Poe (Deputy Commissioner of Special Tax and Support)
- Asheesh Agarwal (General Counsel)
- Tammy Jones (Taxpayer Advocate/Disclosure Officer)
- Bob Dittmer (PR)
- Chetrice Mosley (PR support)
- Shane Doss (PR multimedia recording)
- Danielle Waggoner (PR support/minutes)

Individuals from the public who were in attendance were:

- Leah McGrath
- Mikyla Houston
- Josie Henneke
- Roger Booth
- Sherrill Rude
- David McDaniel
- Philip Jackson

One letter was sent from the public to be read into the record.

A second letter from the public was not read into the record because it was not received in time for the hearing. However, it has been reviewed by Commissioner Alley.

These letters are included with the record of this hearing.

- 9:30 Call to order – Bob Dittmer
- 9:31 Commissioner opening remarks (see script)
- 9:36 Introduction of individuals in attendance representing the Indiana Department of Revenue
- 9:37 Call from the Commissioner for comments from the public
- 9:37 Comments from David McDaniel (see attachment)
- 9:47 Commissioner expressed appreciation for McDaniel’s comments
- 9:51 Commissioner read letter from Mark Rhodes (see attachment)
- 9:54 Commissioner called for additional comments from the public
- 9:55 No more comments from the public; Commissioner Alley adjourned the Annual Public Hearing

Dittmer Opening Statement:

Thank you for attending the Department of Revenue's Annual 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.

Thus, this meeting is dedicated to providing you time to suggest improvements to us, not for us to brief you.

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 Department of Revenue, Mike Alley.

Commissioner Opening Statement:

Thank you, Bob.

It is certainly my pleasure to be here with you today and I do indeed look forward to your thoughts and ideas. As you may know, I have been with the Department a little more than two years now, and so I have been through two individual tax seasons and two legislative sessions – and a change of administration. I continue to be impressed with the quality and dedication of the department’s employees 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.

We have just completed our most effective and efficient individual tax season in the history of the department. Just a few observations:

- We expect to achieve 81% e-filing this year (78% last year and 45% in 2005)
- We instituted a significant Identity Protection Program this year to both protect Hoosier taxpayers from Identity Theft and to protect the state from issuing fraudulent refunds. At this point, we know we have stopped more than 2,600 taxpayers from being defrauded and saved more than \$5 million from being issued to criminals who are stealing identities.
- We continue to successfully transition business taxpayers to electronic filing. We now have more than 180,000 taxpayers using our online filing and payment portal, INtax. Approximately 91 percent of our business taxes are now filed and paid electronically.
- The department achieved 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 670,000 telephone calls from taxpayers, answering 89 percent of them the first time called.

- Overall, we process more than \$16 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 process right now.
- Second, we will improve the tax filing and regulatory experience for small business and individual taxpayers. We have added capabilities to INtax and will continue to add more capability. We will complete a full upgrade of the INtax system by the end of the year and add additional tax types.
 - Additionally, we plan to offer electronic filing of Sub-Chapter S corporations (IT-20S) in 2015 for 2014 taxes. These filings represent more than half of all corporate filings in the state each year.
- 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 3, 2014**

Thank you and good morning Commissioner Alley and others. My name is Dave McDaniel. I am a CPA and tax partner with Sikich in Indianapolis. We are a regional CPA firm with eight offices operating in four states.

I currently serve as the chair for the Indiana CPA Society's Tax Resource Advisory Council. I appreciate the opportunity to meet with all of you again this year. On behalf of our nearly 8000 members and the clients they serve, thank you for your efforts to continually improve tax administration in Indiana...efforts focused on making our state's tax environment business-friendly.

Since 2007, the Society's Tax Resource Advisory Council has worked closely with the Department; jointly committed to addressing systemic issues and to improving communications between the Department and taxpayer representatives. Our working relationship continues to evolve, but it has never been stronger.

At this point, I would normally recognize the dedication and customer-focused work of key Department of Revenue staff we work with, however, this list has grown too long to accommodate in a short commentary. Much of the credit for this is due to the considerable efforts of Bob Dittmer. Bob has served as our "go to person" with both ongoing projects and day-to-day issues resolution for members. He is quick to put the right team together to address any problems – even when the problems arise at 4:45 on a Friday afternoon.

As you know Commissioner, we recently committed to partner with DOR again this fall in furthering your outreach efforts to new and small businesses around the state. Your common-sense approach to gaining compliance through better understanding of tax liability is indicative of a business-friendly state. Additionally your visits to all district offices, meeting with and providing regular communications to taxpayers and business groups such as the CPA Society all play a part in improving our tax regulatory environment.

As we prepared for this hearing, we of course sought input from our members regarding issues requiring attention. Our list of priorities is relatively short, but topping the list is implementing corporate online filing (including S-corp, partnership and fiduciary filings) which is critical to the state's business community. The cost savings and administrative efficiencies gained by the State far outweigh the cost to implement. If Indiana was able to electronically accept all forms

compatible with federal level forms including payment options, countless hours in tax preparation could be reduced for the State, Indiana businesses and their tax representatives. We know you are working towards this end, but we urge you to raise the project's priority level focusing resources so that corporate online filing is available for the upcoming filing season.

We appreciate the Department's efforts to address the composite return and non-resident withholding issues, but if Indiana is to be competitive with surrounding states, additional changes must be made to the process of filing composite returns and non-resident withholding in Indiana. Using standard language and aligning our system with other states will even the playing field for Indiana businesses. We support legislative and regulatory changes that will improve and streamline Indiana's system. We offer our member's expertise in helping achieve the necessary changes.

We hope the business community, academia and tax experts participating in the Tax Competitiveness Conference later this month will identify additional opportunities and offer solutions that will help Indiana grow and prosper through sound tax policy. We look forward to participating in the discussions and appreciate the efforts being made to have thoughtful input, and meaningful dialog leading to positive outcomes for Hoosiers. Addressing tax fairness and simplification will allow the State to focus on attracting and growing businesses in Indiana.

As evidenced in the feedback from our members reviewing DOR's draft documents prior to issuance, we welcome opportunities to review and troubleshoot draft instructions, FAQs, procedure changes and customer service enhancements in the future. Our members can offer real-world review and end-user scenario testing that may prevent unintended consequences and confusion among practitioners and taxpayers.

We want to thank you for including us in the program to Eliminate Red Tape by reviewing tax code and regulations to streamline and eliminate unnecessary ones. We were pleased to be in the initial meeting and follow up that identified issues to review at and look forward to the continued progress. We learned that there are 16 articles and 86 administrative rules in 606 written pages that the DOR oversees – we commend and support the effort to reduce this by 20%

We will continue to work with our members and DOR liaisons, knowing we will not always get it right, but with a willingness to keep moving forward with a mutual agenda of serving taxpayers in the best way possible.

Suggestions for consideration include:

- Better online functionality/ capacity for more account information- payment history, amount, date, type, etc.
- Warehousing capability for tax payments submitted via an e-filed IT 40-similar to IRS-taxpayers and their representatives should be able to schedule payment of the 2014 tax

balance due and the 2015 estimated tax payments as part of the federal/state e-filed return.

- The ability to use INtax to pay non- resident withholdings for returns filed *before* the extended due date for S corp and partnership returns.
- Issues with automatic generation of notices with tax due, penalty and interest assessed has improved *greatly*, but when processing of the payment is delayed internally within DOR, erroneous notices are sent to the taxpayer causing confusion and extra time to address
- Edit Form IT-8879 form for e-filing to reflect “Do not mail this form to IDOR” to eliminate confusion for taxpayers.

As a final remark, we would like to acknowledge the great service provided to taxpayers in increased efforts to prevent fraud during the last tax season. Advanced communication of fraud protections being implemented by the Department allowed practitioners to assure clients the online verification system was both legitimate and quick and easy to do with minimal effect on the processing of their return.

However, we still have experienced a significant number of situations this filing season where contact with the DOR is needed to get a taxpayer refund released (usually for more than \$1,000) for returns that are in process or waiting on additional information that has not been requested.

We wonder how many legitimate refunds are not sent out due to the taxpayer not realizing that they did not receive, nor realize that they needed to, contact the DOR to get the refund released. I will close by expressing our thanks for providing this forum and offer that if our member’s expertise can leverage your resources or assist you in your task of improving tax administration for the taxpayers of Indiana in any way; we would welcome any opportunity to assist.

Once again, on behalf of the Indiana CPA Society and our 8,000 members, I thank you and the staff for your ongoing efforts in improving Indiana’s business environment and service to the taxpayers of Indiana

Respectfully submitted:

David A. McDaniel, 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.

From: Mark Rhodes [REDACTED]
Sent: Thursday, May 15, 2014 8:32 PM
To: Feedback
Subject: Annual Hearing

Here's my two cents worth.

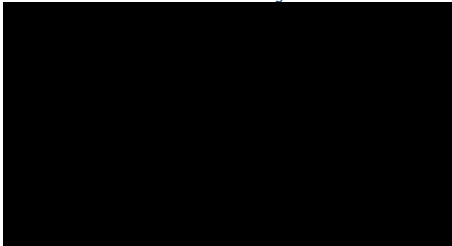
Someone needs to vet the legislature's tax legislation. Is there any way for proposed legislation to be run past practitioners (I mean professionals who are actually preparing tax returns) to see if the new law can even be complied with?

For example, the new law on the taxation of municipal bond interest. Interest on non-Indiana municipal bonds purchased after 2011 is an add-back. Did anyone contemplate the complexity of that? There is no way to tell if a security was purchased before 2012 or not just by looking at the 1099 that reports the municipal interest income. So, the practitioner is faced with either reporting it all as an add-back (not correct) or not adding back any of it (also not correct); no matter how you treat it, you've probably done the wrong thing.

It just seems that the legislature is intent on making things more complex every year, and someone needs to be helping them understand what they're unleashing when they pass new tax laws.

Thanks for listening.

Mark Rhodes, CPA
Rhodes & Knisley LLP



From: Frank Krider [REDACTED]
Sent: Tuesday, June 03, 2014 10:40 AM
To: Feedback; Mosley, Chetrice
Cc: [REDACTED]
Subject: Annual Hearing - Changes to Taxpayer Return

I am an AARP TaxAide volunteer preparer and on one of my returns this year had the refund reduced. Currently I'm in communication with staff members trying to resolve the issue as I was in compliance with instructions from your staff that were previously given to me as to completing the items in questions.

My questions are as follows:

1. If a return is changed by INDOR personnel, shouldn't a letter be sent to the taxpayer detailing the change with calculations supporting the change?
2. If a letter is not sent, who can the taxpayer or preparer contact?
3. Will the letter contain information as to what the taxpayer or preparer can do if they disagree with the change(s)?

Thank you,

Frank Krider
AARP TaxAide Volunteer
[REDACTED]