Oh no, it's a letter from the Idaho State Tax Commission

By Wayne Hoffman

In the 1990s, it wasn't uncommon for lawmakers to laud the tax collectors and auditors of the Idaho State Tax Commission. It is better to deal with the State Tax Commission, legislators would say, than the federal government and its Internal Revenue Service.

That has changed, even reversed. Now, lawmakers openly talk about how the state's tax commission is worse to deal with than the IRS, that the tax commission has become increasingly aggressive in its scrutiny of Idaho taxpayers.

It is a story that I hear over and over again as I travel the state, taxpayers tell me of being targeted by the tax commission, undergoing the agency's relentless nitpicking and reinterpretation of Idaho law. Sometimes it costs as much to fight an audit as the bill being proposed by the tax commission, so some choose just to pay up. One told me (and backed it up with documentation) that the tax commission went after an Idaho business simply because it expanded, auditors figuring "there was probably something there." Another business owner is contemplating a move to another state, just to escape the clutches of the Idaho tax commission.

So frustrated were lawmakers this winter that the Senate nearly rejected an appropriation for the tax commission. Now legislators are asking the Office of Performance Evaluations to determine whether the state should create a taxpayer advocacy office within the State Tax Commission. Republicans and Democrats are interested in this as a way to offer some protection to taxpayers, modeling a similar office in the IRS.

"As an attorney who represented clients before IRS taxpayer advocates, I'd estimate that I won the dispute for my clients 75 percent of the time," tax commission critic Sen. Les Bock, a Boise Democrat who is one of the state Senate's most vocal tax commission critics, told IdahoReporter.com. "The IRS sets a good model for how to do taxpayer advocacy, and our state needs to seriously consider it" as an independent advocate for taxpayers.

But lawmakers share some blame in the problem with the tax commission. In 2003, lawmakers rejected a tax commission budget because it didn't have enough auditors. They wanted a robust team of auditors working to bring revenue into state coffers, pursuing tax scofflaws and closing the gap between the amount collected and the amount owed. Well, they got what they asked for.

Furthermore, rather than just reduce overall tax rates, lawmakers and the governor prefer to manipulate the market with tax incentives and credits against tax liability. But tax credits for certain economic behaviors invite government scrutiny. It invites the tax commission to ask "do you really deserve this credit" and to say "show me the documents to prove you are entitled to this break." Do we really need tax auditors asking taxpayers if they hired certain employees, installed certain equipment or insulated a building?

The Legislature set the stage for the tax commission we have. Would taxpayers be better off with a taxpayer advocate within state government? Hard to say. An easier approach might be for the Legislature to take ownership of the problem it helped create.

Wayne Hoffman
Executive Director
Idaho Freedom Foundation