

August 22, 2008

The Honorable C. L. "Butch" Otter
Governor, State of Idaho
Borah Bldg. 3rd Floor, Ste 347
Boise, Id 83702

Dear Governor Otter:

I now bring matters to your attention which I believe emphasize the need for a bi-partisan team to investigate the past and present practices of the Idaho State Tax Commission. I have been reluctant to come forward with the information I now present to you because of its sensitivity and my belief that you would indeed appoint a bi-partisan team with expertise in both law and taxation to handle this important public issue, which appointment is very much needed to instill public confidence in the fairness of our taxation practices.

I cite to you in summary form three such considerations. I will be willing and able to disclose more detail if asked to do so by your office or any other proper authority. I am prepared to name names in a proper setting where such disclosure is lawful.

Item No. 1: I have it on unimpeachable authority, from persons in the Tax Commission office with direct knowledge, that about two years ago one of the wealthiest individuals in Idaho was able to negotiate a reduction in taxes of more than \$1.6 Million. The deal was reached in extensive negotiations between the taxpayer's attorneys and one of the Deputy Attorneys General who is involved in the situations I have earlier reported. The deal was achieved while not allowing the auditors to issue an audit report on the last two tax years.

This taxpayer had clearly made fraudulent claims on tax filings for many years, which fraud I can clearly and irrefutably demonstrate. Tax fraud can carry both civil and criminal penalties, but none were imposed. Mr. Gentry did not touch this one in his inquiries (or at least he did not report it), and this type of situation clearly demonstrates a need for a true bi-partisan investigation by a qualified team.

Item No. 2: I have direct evidence that over 70% of corporate protested cases in the past three years have been compromised. This information was made available to Mr. Gentry, but he chose not to question these troubling statistics. Significantly, Mr. Gentry provided absolutely no analysis of facts or issues of law in his report which would give the reader any reasons for his conclusions that the cases presented "reasonable doubt". He merely reports his unsupported conclusion, which could result in a reader suspecting a whitewash is occurring. Idaho's taxpayers deserve better. An investigation into these cases, and those settled in years prior to this time period, will reveal

many more compromise agreements which were made in violation of Idaho law.

Item No. 3: I am attaching to this letter the letter I sent you last week regarding an illegal compromise being negotiated at this very moment with another corporation, wherein the tax liability is \$228,000, the taxpayer has offered to pay \$92,000, and Commissioner Chigbrow and three others have determined to make a counteroffer of approximately \$175,000 without legal basis for doing so. (It needs to be noted that in my original letter I mistakenly reported the tax liability as \$238,000.) I ask that you re-consider your refusal to address my request.

I earnestly request that you appoint a five-person investigating team, the Chairman to be appointed by you and a lawyer and a C.P.A./accountant to be selected by the leadership of each political party to round out a five-person investigating team. None of the items of this nature and seriousness were investigated by Mr. Gentry. Mr. Gentry came into this assignment with a mindset that the Commission has been doing nothing wrong, and failed to respond to the urgent need for a thorough investigation.

Thank you for your consideration.

Stan Howland
Multistate Tax Auditor
Idaho Tax Commission

Copies to: Tax Commissioners
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