



IDAHO LEGISLATURE

News Flash: Idaho Taxpayers Behave Logically

In response to new fees, Idaho taxpayers revert to writing checks -- which increases costs and eats up the savings.

By Sharon Fisher, 2-09-09

Back when I worked for a major information technology research and advisory company, we used to tell our clients to make decisions based on the behavior they wanted to encourage. In other words, if there's something you wanted people to do, don't punish them for it.

Apparently the Idaho Tax Commission wasn't one of our clients.

Last December, the Tax Commission announced that it was implementing a "convenience fee" of 3% for people paying their taxes via credit or debit card, and \$5 for people paying their taxes through an electronic check, effective January 1. This fee, the Tax Commission said, would save the state \$2 million annually by charging only the individuals who use credit/debit cards or e-checks instead of spreading the cost to all Idahoans.

Apparently, the Idahoans who were paying electronically didn't find it all that convenient—this tax year, two-thirds of them are reverting en masse to writing checks. And according to Mark Poppler, financial officer for the Tax Commission, that has its own cost: about \$2.50 in various costs, such as imaging, for processing each check. In other words, if people have to pay less than \$83 in additional taxes, this policy is actually costing Idaho money. In any event, a good chunk of the \$2 million is getting eaten up by the charges in processing paper checks.

In fiscal year 2008, Idaho brought in \$1.44 billion in personal income taxes. If electronic payment was costing Idaho \$2 million, that means about \$70 million of that was paid electronically—less than 5 percent. (Most of it, presumably, is paid through withholding.) And in fact, the Tax Commission received more than \$99.3 million in credit card payments in our last fiscal year (FY2008) ended June 30, 2008, Poppler told New West, representing more than 56,000 transactions by credit card. "Although this sounds like a lot, it only represents a little less than 2.8 percent of all revenues received in that fiscal year," he said.

So let's look at that "convenience fee." 3 percent is actually kind of high. Paypal, for example, has a price per transaction of 1.9 percent, plus 30 cents, when a client takes in more than \$100,000.

Who's getting the 3 percent?

Well, that's where things get really interesting. "Access Idaho, a third-party service provider, will collect the fee," the December announcement read.

Perhaps it is a surprise that Access Idaho is a third-party service provider. Clicking on www.accessidaho.org goes to the official State of Idaho web page.

On the Idaho state government website is a section devoted to Access Idaho, which one can find

only by searching for “Access Idaho,” not by clicking anything on the state website, though the page is called “About Idaho.gov.” The only way to contact the group online is via a web form, with no email address or name listed. (The street address is 999 Main St., Suite 910.)

As it turns out, Access Idaho is also called the Idaho Information Consortium (IIC), Poppler said. IIC is a wholly owned subsidiary of NIC Inc., a public company traded on NASDAQ (under the symbol EGOV) that provides services to a long list of state and local governments. Access Idaho is listed as one of its clients. The company doesn’t say how much Idaho pays nor how many employees it has, but Vermont and Arizona each pay about \$1 million, according to filings with the SEC.

“The State Division of Purchasing has a state-wide service contract with them,” Poppler said. “State agencies are allowed to contract with Access Idaho to build and host individual sites and processes.” However, the Tax Commission could use a service such as PayPal if it wished, he said.

Okay. So why is Access Idaho charging 3 percent in the first place? Its description of credit card “convenience” fees, and three ways to bill them, don’t say anything about a 3 percent fee.

Also on the “About Idaho.gov” page is a link to a service that enables agencies to take credit cards online or over the counter, called PayPort. PayPort is a service staffed by Access Idaho. Apparently it’s very well done; it received an award last fall from the Center for Digital Government. But the press release announcing the award identifies it as a service offered by the state of Idaho, not a third-party provider, and quotes Mike Gwartney, the director of the department of administration.

And PayPort, specifically PayPort Online, is apparently where the 3 percent comes from, according to its FAQ. “A 3% fee (plus \$1.00 if average transaction amount is less than \$50.00) is required to cover our overhead (including credit card fees) and will be added to the transaction.” In addition, setup is free of charge for Idaho state agencies, counties, cities and other government entities, which presumably is part of the reason the agencies use it, as well as for ease of use. It was being used by Ada County and six state boards and departments as of last June.

Okay. So we know where the 3 percent comes from and, more or less, what Access Idaho is. There are some lingering questions, however. Is it the best deal Idahoans could get? And is charging Idahoans for a desired behavior in the best interests of the state?

[End of article]

Comment By Justin Boggs, 2-09-09

I made a similar comment when I saw that the State was going to charge for debit card transactions. They claimed 2 millions savings, I actually figured it was going to be an expense for them to make the change. Seems I was wrong on it being an expense, but it isn't near the savings they were crowing about. You would think they could do math or project behavior changes or something. Guess not.

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