

IDAHO TAX REIMBURSEMENT INCENTIVE  
FY2019 ANNUAL REPORT







The Idaho Reimbursement Incentive Act – or TRI – in its fifth fiscal year has assisted business across Idaho in creating jobs and growing wages above county averages. The program continues to make significant and meaningful impact on the state’s economy both in rural and urban areas, and for businesses small and large alike.

This Idaho statute went into effect on July 1, 2014 as an incentive for Idaho to be more competitive nationally on expansion and relocation projects, and support job and wage growth for our citizens. Our Idaho TRI is a post-performance incentive and benefits are earned after jobs have been created and maintained, wages have been verified, and all commitments have been met by qualifying companies.

Beginning in FY2015 through FY2019, a TRI award has been issued to 53 different qualifying businesses. Seven awards were issued in FY2019. While it is still too early to realize the full impact of the awards issued in FY2019, we estimate these projects will create 1,258 jobs and add over \$618 million in new wages when completed and fully implemented. Through FY2019, 2,449 new jobs have been created for Idahoans across the state. These new jobs are paying an average of \$53,911 annually, which is well above the state’s average annual salary or \$43,480.

As the program finishes its fifth year, of the 53 projects awarded through FY2019, 29 awards went to businesses in rural communities, while 24 awards went to urban areas. Existing Idaho businesses have qualified for 27 awards, while businesses new to Idaho have qualified for 26 awards. In FY2019, two awards went to rural areas and five to urban areas while two awards went to expanding Idaho businesses and five went to businesses new to the state.

Each TRI application is vetted thoroughly and consistently by Idaho Commerce staff and the Economic Advisory Council. Not all applicants receive approval. The evaluation process considers factors such as job and wage growth numbers, local, indirect and induced economic impact, workforce availability and readiness, and contribution to the regional economy.

We appreciate the trust Idaho’s legislature and Governor have placed in Idaho Commerce to manage and develop this essential economic development program. In this annual report, you will find a comprehensive update of program activity over the last fiscal year and the life of the incentive. Per statute, we have an independent audit conducted annually to review this incentive program for compliance and accountability. The results of the audit are included. Our Idaho Commerce team looks forward to offering this economic incentive when appropriate for the continued success and positive impact it has on businesses and communities across Idaho.

A handwritten signature in black ink that reads "Tom Kealey". The signature is fluid and cursive, with the first letters of "Tom" and "Kealey" being capitalized and prominent.

Tom Kealey  
**Director, Idaho Commerce**

# WHAT IS THE TAX REIMBURSEMENT INCENTIVE?

The Idaho Tax Reimbursement Incentive (TRI), which went into effect on July 1, 2014, is a post-performance tool that enables qualifying companies to receive a refundable tax credit of up to 30% on all state income, payroll and sales taxes for up to 15 years. The incentive is available to any company in any industry. Most importantly, it is available to both existing Idaho businesses looking to expand and businesses new to Idaho.

## TO QUALIFY

A company must complete an in-depth application and meet the following requirements to qualify for the TRI:

- Create 20 or more new jobs in rural communities (city population of 25,000 or less) or 50 or more jobs in urban centers.
- New jobs must be full time (30 hours or more) and pay an average wage of equal to or greater than the average county wage.
- Demonstrate a meaningful community match.
- Confirm the company's stability and the project's potential to have a significant economic impact in the community and Idaho.
- Prove that the incentive is a critical factor in the company's decision to expand or grow in Idaho.

## SCORING & EVALUATION

Idaho Commerce is responsible for the evaluation of TRI applications and has carefully designed controls to ensure the process is fair and applied consistently across all projects.

Once a project is determined to meet the minimum qualifications of the TRI program, a rigorous economic impact analysis and scoring process begins based on a fixed mathematical formula to ensure each project is treated equitably. The initial project evaluation focuses on the following five criteria:

- Quality of jobs
- Quantity of jobs
- Impact on industry sector
- Impact on the local economy
- Impact on the state economy

The project's initial score is then presented to an internal multi-disciplinary panel consisting of Idaho Commerce personnel who are not involved in the project. The panel reviews discretionary attributes that are unique to each project, which lends alternate perspectives that may positively or negatively impact the project score.

Scenarios that may result in positive discretionary points include a new company expanding in a community following the loss of a major employer, a strategic addition in a key industry sector or, a significant capital investment that would create new infrastructure that could benefit other employers in the community.

Examples that may result in negative discretionary points include detriments to regions or industries, strain on an already competitive workforce, or potential environmental concerns.

The project's overall score is used to guide the term and percentage that the director of Idaho Commerce recommends to the Idaho Economic Advisory Council (EAC). EAC may approve or reject the director's recommendation or may request more information to make an informed decision. The council consists of eight (8), politically and regionally balanced, Governor-appointed individuals from around the state who have diverse backgrounds in business and local government.

## COMPANY REPORTING & AUDIT

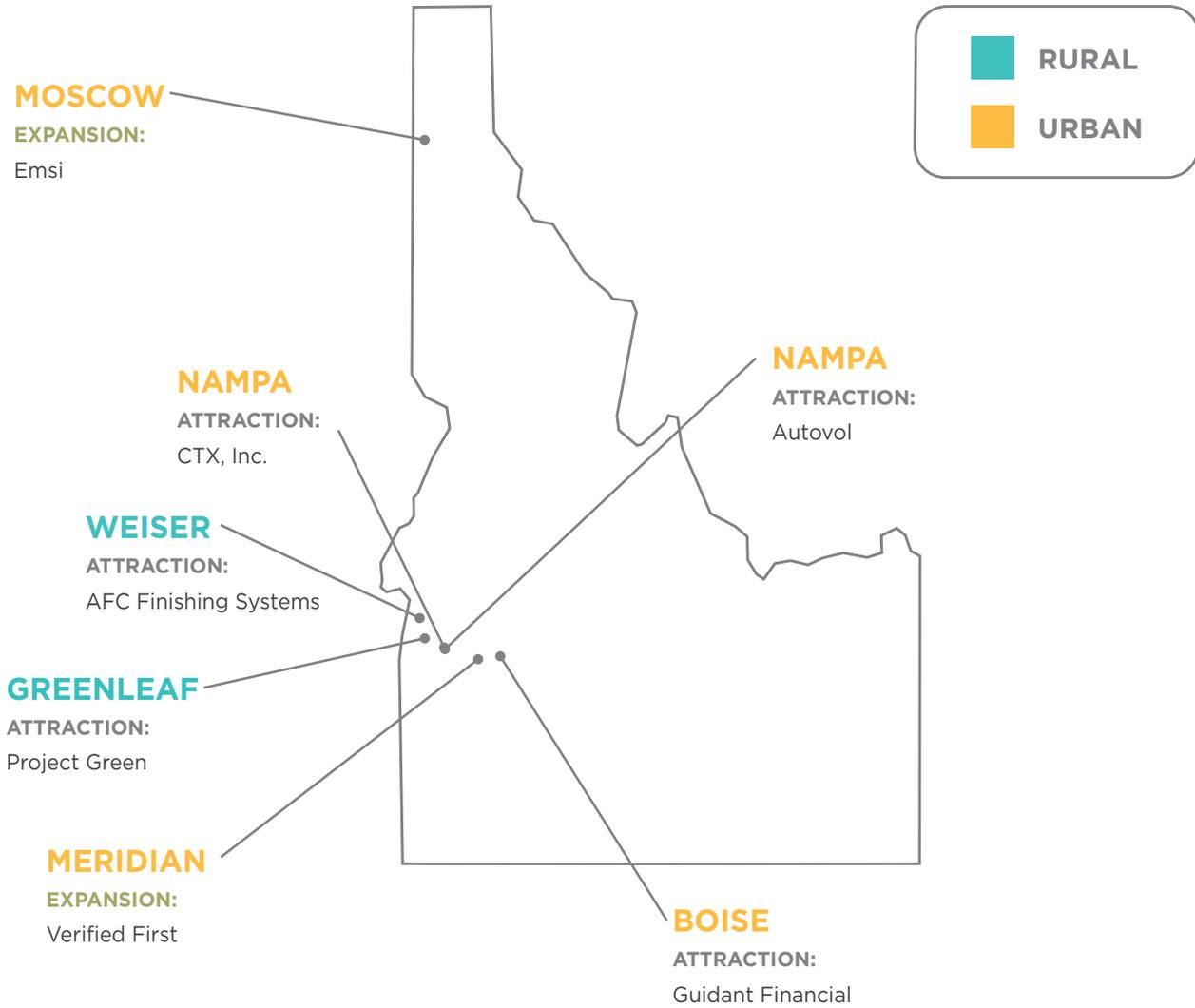
Once approved for a TRI award, companies are required to report to Idaho Commerce annually and demonstrate that they have fulfilled their job creation and wage commitments. If at any point those commitments are not honored, the company would not receive a tax credit in that particular year.

Each year, Idaho Statute requires an independent audit of the TRI review and approval process, including the corresponding internal controls. Additionally, Idaho Commerce is required to issue an annual report to the Governor and Idaho State Legislature on the overall activity of the program to reinforce public visibility and transparency of the TRI program.

## FY2019 ANNOUNCED PROJECTS



# FY2019 TOTAL TRI PROJECTS



LOCATION		TYPE		INDUSTRY	
<b>5</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>3</b> Advanced Manufacturing	<b>2</b> Corporate Office Shared Services
Urban	Rural	Expansion	Attraction	<b>1</b> Food Production	<b>1</b> Software & Technology

# FY2019 SUCCESS STORIES

## AUTOVOL

Autovol was created by the CEO of The Pacific Company, a Realty Firm based in Eagle, Idaho. Their primary business will be the manufacturing of wood-framed building modules with a focus on high-density, multi-family housing.



Autovol has selected Nampa, Idaho for the construction of a 388,000 square foot manufacturing facility with an additional 22,000 square feet of office space, at an estimated cost of \$102 million. They will create 349 jobs including general factory works, procurement, QA and headquarter functions with an average wage of \$44,642, which is above the Canyon County average wage of \$34,750.



After finishing construction, and a brief start-up period, production capability is expected to begin in March 2020. The factory is expected to achieve full utilization by January 2022.

The Economic Advisory Committee awarded Autovol a TRI award of 24% for 12 years. This offer will amount to an estimated \$6.27 million over the term of the TRI agreement.

With \$41.6 million in new state sales and income taxes, the state will benefit from a \$7.52 ROI for every \$1 reimbursed to Autovol.



# FY2019 SUCCESS STORIES

## IN THE NEWS: EMSI

Moscow, Idaho-based Emsi, a labor market analytics firm, is expanding with plans to build a new, 70,000-square-foot company headquarters that will house more than 500 employees.

The proposed 3-acre campus on the north end of downtown Moscow allows Emsi room to expand its workforce of software developers, engineers, data scientists, economists and sales representatives, according to the company.

Emsi, founded in 2001, provides labor market data for clients in higher education, economic and workforce development, talent acquisition and site selection. It has offices in the United Kingdom and Dallas.

Emsi moved to its current building at 409 S. Jackson St. in 2014 with 92 employees. The company now employs more than 200, with 160 of them working in Moscow.

By remaining in Moscow, the company will have continued access to more than 550 graduates a year from nearby University of Idaho, Washington State University and New Saint Andrews College, according to the company.

Boise-based Hummel Architects is designing the building. Emsi anticipates breaking ground on the four-story structure in October 2019, with move-in slated for late 2020.



# FY2019 ESTIMATED IMPACT TO THE STATE

When fully implemented, the seven TRI projects approved in FY2019 will create an estimated 1,258 jobs in the state. These projects will generate approximately \$217 million in new capital investment, are estimated to generate \$91 million in new tax revenue to the state, and more importantly, will bring over \$618 million in new payroll to the state, resulting in an estimated 4:1 return to the State's General Fund.

## RETURN ON INVESTMENT: 418%

Company	Est. Jobs	Est. Average Wage	Est. Total Project Payroll	Est. State Tax Revenue	Est. Capital Investment
AFC Finishing Systems	47	\$38,000	\$12,000,000	\$2,400,000	\$2,000,000
Autovol	349	\$44,642	\$159,900,000	\$27,200,000	\$102,400,000
CTX. Inc.	85	\$42,800	\$29,400,000	\$2,500,000	\$6,000,000
Emsi	527	\$78,900	\$306,800,000	\$42,000,000	\$10,000,000
Guidant Financial	102	\$62,500	\$59,300,000	\$5,500,000	\$0
Project Green	76	\$41,800	\$25,800,000	\$9,100,000	\$97,000,000
Verified First	72	\$46,700	\$25,300,000	\$1,800,000	\$0
<b>Total / Average</b>	<b>1,258</b>	<b>\$60,003</b>	<b>\$618,500,500</b>	<b>\$90,500,000</b>	<b>\$217,400,000</b>

# FY2019 ESTIMATED TAX CREDIT COMMITMENTS

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The average FY2019 TRI award was 21% over 10 years, significantly less than the maximum available award of 30% for 15 years.

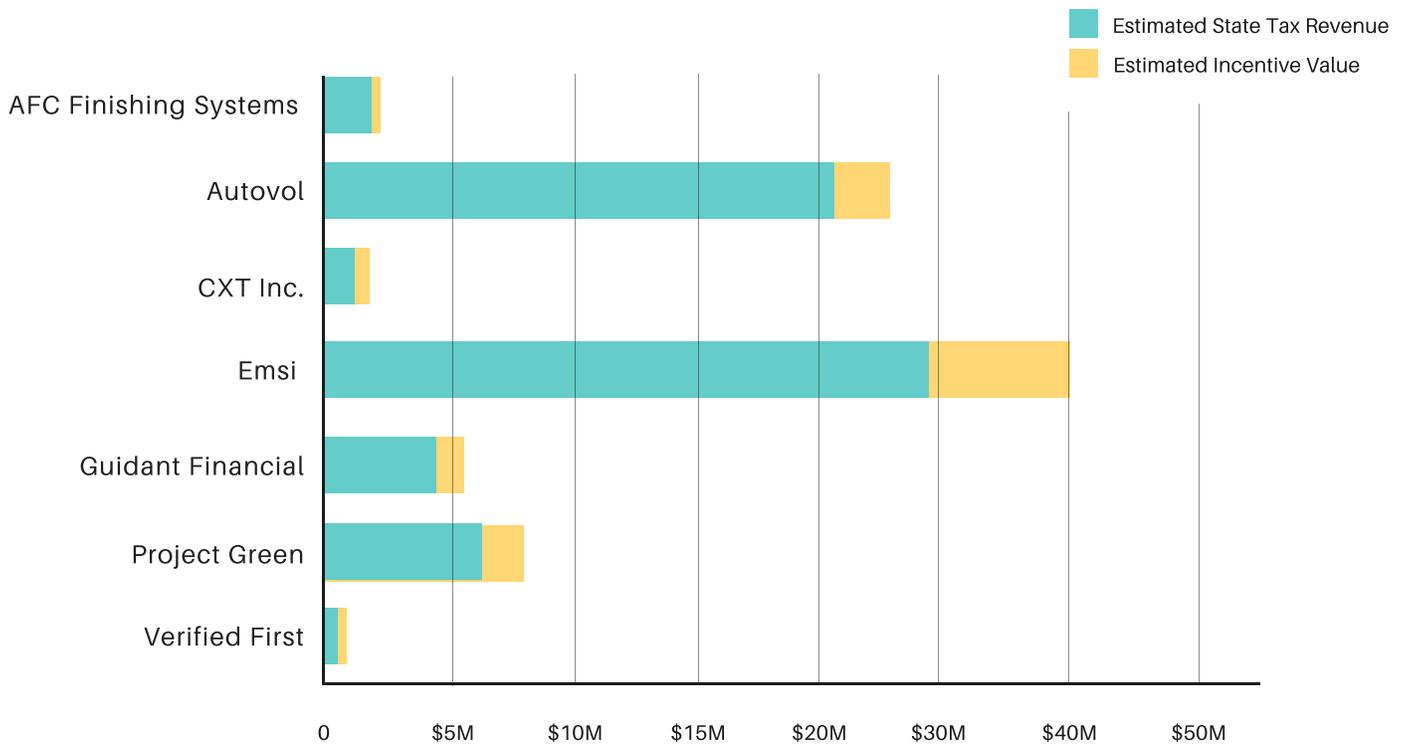
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At full term, the aggregated value of tax reimbursements awarded in FY2019 will total \$21.6 million across all seven projects.

Company	City	County	Percentage Awarded	Term (Years)	Estimated Incentive Value
AFC Finishing Systems	Weiser	Washington	17%	8	\$185,000
Autovol	Nampa	Canyon	24%	12	\$5,530,000
CTX, Inc.	Nampa	Canyon	21%	9	\$517,000
Emsi	Moscow	Latah	30%	15	\$12,500,000
Guidant Financial	Boise	Ada	20%	10	\$1,050,000
Project Green	Greenleaf	Canyon	18%	9	\$1,590,000
Verified First	Meridian	Ada	17%	8	\$277,000
<b>Total</b>					<b>\$21,649,000</b>

# FY2019 ESTIMATED COSTS AND BENEFITS

When fully implemented, the seven projects approved in FY2019 are projected to generate an estimated \$91 million in new state tax revenue at a cost of \$21.6 million in estimated tax credits to approved and performing companies.



# TRI PROGRAM SUMMARY TO DATE

## OVERALL TRI PROJECT IMPACT

Idaho Commerce has managed the TRI program within its existing staff operational budget. No new staff or operational dollars have been used to support this program.

The following information is a cumulative total of all the awarded TRI projects since the program's inception on July 1, 2014.

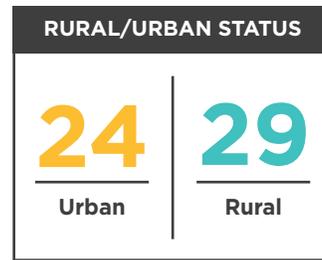
## PROJECTED TRI PROGRAM SUMMARY (FY2015-FY2019)

- Approved Projects: **53**
- Average Offer Percentage: **21**
- Average Offer Term: **10 years**
- Approved Projects Jobs: **9,077**
- Average Projects Annual Wage: **\$48,436**
- Total Projects Payroll: **\$4,189,196,000**
- Total Capital Investment: **\$1,416,300,000**
- Estimated Full-Term Direct Sales Tax Revenue: **\$457,773,000**
- Total Estimated Incentive Value: **\$109,451,700**
- Gross Return on Reimbursement (ROI): **418%**

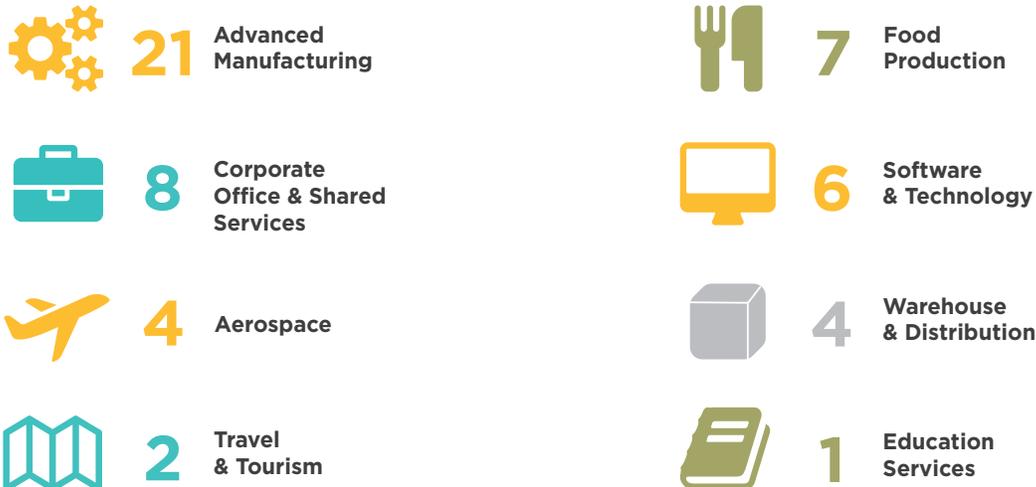
# ACTUAL TRI IMPACT TO DATE

Actual TRI Credits Requested in CY2018: \$1,892,190  
 Actual TRI Credits Issued in CY2018: \$1,127,724  
 Actual Credits Requested to Date: \$5,131,635  
 Actual Credits Issued to Date: \$3,831,085

Companies Issued Credits to Date: 14  
 Actual Jobs Created in CY2018: 537  
 Jobs Forecasted to Date: 3,116  
 Actual Jobs Created to Date: 2,449  
 Actual Average Wage to Date: \$53,911



## INDUSTRIES REPRESENTED:



# TOTAL PROJECTS TO DATE

Of the 53 projects approved since the inception of the TRI program on July 1, 2014, 22 incentivized companies have created jobs prior to December 18, 2019, when the reporting period closed. The following companies have created jobs and/or began operations prior to the reporting period closing.

<b>Company / Project Name</b>	<b>City</b>	<b>TRI %</b>	<b>Term</b>	<b>Est. Job Count (over full term)</b>	<b>Actual Jobs Created</b>
AGC AeroComposites	Hayden	20	8	134	54
Albertsons	Boise	30	15	300	321
AMFEC	Nampa	21	9	89	81
Amy's Kitchen	Pocatello	26	15	1000	691
Aspen Skiing Company	Ketchum	16	3	57	58
ATC Manufacturing	Post Falls	20	8	225	135
Athlos Academies	Boise	17	8	50	14
Biomedical Innovation	Sandpoint	18	9	33	30
Dow Chemical Company	Burley	24	9	21	23
Fabri-Kal	Burley	22	9	150	57
Gayle Manufacturing	Caldwell	20	6	105	75
Glanbia	Gooding	23	10	43	33
Hearthside Food Solutions	Boise	25	10	80	165
ICOM	Meridian	21	10	90	67
Kochava	Sandpoint	28	10	208	85
NewCold	Burley	25	12	68	11
Orgill, Inc.	Post Falls	26	10	138	184
Paylocity	Boise	28	15	551	146
Quest Aircraft	Sandpoint	25	12	187	34
Skywest	Boise	25	12	100	95
SmakPlastics	Hayden	15	7	45	21
Vista Outdoor	Lewiston	28	14	137	60
Wildwood Grilling	Sandpoint	14	7	21	9

The following projects and companies have received a TRI award but have not yet created jobs, have not yet reported on jobs created, have not yet met the requirements necessary to receive a credit or are simply too early in the process at the time of publishing.

<b>Company / Project Name</b>	<b>City</b>	<b>TRI %</b>	<b>Term</b>	<b>Est. Job Count (over full term)</b>
AFC Finishing Systems	Weiser	17	8	47
Auberge Resorts	Ketchum	16	3	109
Autovol	Nampa	24	12	349
Capitol Distributing	Caldwell	24	12	343
Critical Power Products & Services	Post Falls	14	7	23
CTX Inc.	Nampa	21	9	85
Diversified Fluids	Boise	20	8	50
Emsi	Moscow	30	15	527
Guidant Financial	Boise	20	10	102
Heartland RV	Nampa	20	10	275
Hilex Poly / Novolex	Jerome	26	15	45
Idaho Milk Products	Jerome	22	9	53
Intrinsic Organics	Weiser	18	6	52
Jayco Inc	Twin Falls	24	12	360
Jelli	Boise	20	8	92
McCain	Burley	30	15	186
Project Dry	Greenleaf	18	8	50
Project Green	Greenleaf	18	9	76
Project Steel 2	Hayden	15	7	28
Project Widget	Nampa	22	10	180
Verified First	Meridian	17	8	72
Woodgrain Millwork	Fruitland, Emmett	22	10	91

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At this time, the following projects or companies will not be moving forward with job creation or business operations in Idaho and have not be issued credits for their TRI award.

<b>Company / Project Name</b>	<b>City</b>	<b>TRI %</b>	<b>Term</b>	<b>Est. Job Count (over full term)</b>
Leeds look listen	Carey	18	9	73
Project Breeze 2	Hayden	23	10	59
Project Circuit	Boise Valley	26	15	351
Project Clipper/Sparrow	Boise Valley	25	14	1400
Project Lincoln	Post Falls	18	8	60
Project Pipe	Pocatello	18	9	80
UiUx (Solu)	Ketchum	18	5	88
Vie Active	Ketchum	10	5	43

## ECONOMIC ADVISORY COUNCIL

The Economic Advisory Council was established under Idaho Code 67-4704. The Council's main purpose is to advise the Governor and Idaho Commerce on goals and objectives that further economic development within the state.

The Council reviews TRI applications and makes recommendations to the Director on award terms.

In addition, Council members advise their regions on economic development opportunities and represent their interests to state government. The Council consists of seven members, appointed by the Governor, with one member appointed from each of the state's seven economic development regions and one member appointed at-large. Members serve three-year terms and can be reappointed.

### FY2019 MEMBERS INCLUDE:

#### REGION I

**Steve Meyer**, Chair - Parkwood Properties

#### REGION II

**Robin Woods**, Vice Chair - Alturas Analytics, Inc.

#### REGION III

**Mike Reynoldson** - Blue Cross of Idaho

#### REGION IV

**John Craner** - Zion's Bank

#### REGION V

**Rick Phillips** - JR Simplot Company

#### REGION VI

**Mark Young** - Raymond James Financial Services, Inc.

#### REGION VII

**David "Dave" Wilson** - Wilson Construction LLC

#### AT-LARGE

**Sandy Patano** - Sandy Patano Consulting, LLC



# APPENDIX

# Independent Accountants' Report

Idaho Reimbursement Incentive Act

For the Year Ended June 30, 2019



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**INDEPENDENT ACCOUNTANTS' REPORT**

To the Director  
Idaho Department of Commerce  
Boise, Idaho

We have examined the effectiveness of the Idaho Department of Commerce's internal controls related to the application and approval process associated with the Idaho Reimbursement Incentive Act, per Idaho Code sections 67-4737 through 67-4744, and the tax credits granted for the year ended June 30, 2019. The Idaho Department of Commerce's management is responsible for the effectiveness of the internal controls and granting of the tax credits. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Idaho Department of Commerce's internal controls related to the application and approval process of the Idaho Reimbursement Incentive Act and tax credits granted are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Idaho Department of Commerce's internal controls related to the application and approval process of the Idaho Reimbursement Incentive Act and tax credits granted. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Idaho Department of Commerce's internal controls related to the application and approval process of the Idaho Reimbursement Incentive Act and tax credits granted, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the effectiveness of the internal controls and processes related to the application and approval process associated with the Idaho Reimbursement Incentive Act for the year ended June 30, 2019 are operating in accordance with the Idaho Reimbursement Incentive Act, per Idaho Code sections 67-4737 through 67-4744, in all material respects.

Meridian, Idaho  
December 11, 2019



# **IDAHO REIMBURSEMENT INCENTIVE ACT**

## **EXECUTIVE SUMMARY**

### **For the Year Ended June 30, 2019**

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#### **Background**

During the 2014 legislative session, the Legislature of the State of Idaho adopted House Bill 546. The bill created Idaho Code Chapter 47, Title 67 sections 4737 through 4744 and shall be known and may be cited as the “Idaho Reimbursement Incentive Act.” For the purpose of this report, the Idaho Reimbursement Incentive Act will be referred to as the Tax Reimbursement Incentive (TRI). The TRI was created by the Legislature to be a performance-based tax reimbursement mechanism available to existing Idaho businesses and new businesses creating high-paying jobs in Idaho. The program will remain in effect until terminated or suspended by the Governor.

The Idaho Department of Commerce has been tasked with administrating the TRI and is required to report to the Legislature on an annual basis. As part of the reporting requirement, the Department is required to have a third-party evaluation of the tax credits granted and the effectiveness of the Department’s internal controls.

#### **Scope**

As specified in Idaho Code 67-4737 through 67-4744, the scope of this program audit engagement includes:

1. Evaluate the effectiveness of the Department’s internal controls related to the Tax Reimbursement Incentive program.
2. Evaluate the tax credits that were granted during the state of Idaho’s fiscal year 2019 from July 1, 2018 through June 30, 2019 (FY2019).

For the fiscal year ended June 30, 2019, the Department has received approval from the Economic Advisory Council (EAC) to enter into 7 Tax Reimbursement Incentive Agreements. This report covers all approved TRI awards for FY2019. The Department continues to accept applications for the TRI program and may have entered into agreements subsequent to June 30, 2019; however, those agreements are beyond the scope of this report.

**IDAHO REIMBURSEMENT INCENTIVE ACT**  
**EXECUTIVE SUMMARY (Continued)**  
**For the Year Ended June 30, 2019**

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**Methodology**

We evaluated the policies and procedures for the Department's internal control system related the Tax Reimbursement Incentive and provided suggestions based on our professional knowledge and any applicable best practices. Our evaluations of the internal control system included inquires, observations, inspection and walk-throughs as deemed necessary to gain an understanding of the process.

Based on our understanding of the TRI processes and related internal controls our testing consisted of the following sections:

1. Testing the completeness of the information gathered in the application process
2. The controls related to the Department's evaluation of the TRI applications
3. The controls related to the Economic Advisory Council (EAC) evaluation of potential TRI applications
4. Completeness and accuracy of the Tax Reimbursement Incentive Agreements
5. Review the applicant's annual reporting procedures and issuance of the Tax Credit Authorization Certificate

**Executive Summary Conclusion**

Based on the procedures performed, the Department appears to have adequate controls in place related to the Idaho Reimbursement Incentive Act. As of June 30, 2019, 25 Tax Credit Authorization Certificates have been issued since the inception of the program.

# **IDAHO REIMBURSEMENT INCENTIVE ACT**

## **PROCESS NARRATIVE**

### **For the Year Ended June 30, 2019**

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#### **Idaho Department of Commerce Process Narrative**

The following information was provided by the Idaho Department of Commerce to provide the reader of this report with an understanding of the TRI process.

The TRI application process has been carefully designed to thoroughly process and review the TRI applications to ensure applications comply with the legal requirements set forth in Idaho Code. The process includes the following steps and controls:

To initiate an application, an Applicant enters the information in a secure, online application system. The system is designed to be user-friendly to ensure an application cannot be submitted without all required information, and includes templates to ensure consistent information is received so that all Applicants are evaluated based on the same standard.

The Department's Grants & Contracts Manager receives all TRI applications and reviews them for completeness and works closely with the Department's Business Attraction team if more information is required.

The Grants & Contracts Manager performs a search for the Applicant on the Idaho Secretary of State's website to identify any existing Idaho business presence in the state. Results are then saved in the application file.

The Department's Research Analyst plots the business location on a GIS map to identify and determine whether the Applicant's facility or planned facility is located in a rural or urban location. Results are saved in the application file.

Once an application is complete, the Grants & Contracts Manager provides a complete application packet to the Director and other key department personnel for scoring, economic impact analysis, and further review.

Completed applications undergo a thorough economic impact analysis, led by the Department's Research Analyst. The first of a two-part economic impact analysis requires each application be evaluated and scored on five criteria that encompass the potential benefits created by the application. The five required scoring criteria are:

1. The number of new Idaho jobs created.
2. The quality of the new Idaho jobs created.
3. The economic impact to the local community and region.
4. The economic impact to the industry sector in Idaho.
5. The economic impact to the state.

**IDAHO REIMBURSEMENT INCENTIVE ACT**  
**PROCESS NARRATIVE (Continued)**  
**For the Year Ended June 30, 2019**

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The scoring for these criteria are governed by fixed mathematical algorithms to ensure that each project is evaluated equitably.

The second part of the economic impact analysis acknowledges each project has unique attributes that must be addressed to fully evaluate the impact of the application. Often these attributes are discretionary in nature and include the impact on regional workforce, wages and employment, level of capital investment, and potential detriments to existing Idaho industry and environment.

To ensure the discretionary criteria are evaluated in a balanced forum, the Research Analyst convenes a TRI Discretionary Advisory Committee (TRIDAC). A TRIDAC is made up of rotating, cross-divisional Department staff that are subject matter experts for the applicable region, county and/or city but who are not directly associated with the proposed project. The TRIDAC is comprised of economic development specialists, international trade specialists, tourism development specialists, and community development specialists. The TRIDAC reviews and establishes the scoring applied to the discretionary criteria in the analysis.

Once the TRIDAC review is complete, a score is generated that establishes an acceptable range for a proposed incentive offer. The range is calculated using a standard matrix that is used for all application scoring. In addition, the proposed incentive range is evaluated and calibrated against past projects that are similar in industry, job creation, and average wage to maintain consistency and equality among the Applicants.

Once the scoring and economic impact analysis is complete, the Business Attraction team presents the project at a TRI staff meeting and proposes a TRI term and percentage to the Director. The team meeting is attended by the Director, Business Development & Operations Administrator, Business Attraction Manager, Business Attraction Specialists, Research Analyst, Grants & Contracts Analyst, Business Retention & Expansion Manager, and Grants & Contracts Manager. The team discusses the proposal and the Director settles on a recommended TRI term and percentage within the established incentive range. The Grants & Contracts Manager then issues a letter summarizing the proposed TRI term and percentage and the necessary steps remaining for the application to be presented before the Economic Advisory Council (EAC).

Once the TRI term and percentage is established and negotiations with the Applicant are finalized, the Research Analyst, using industry established modeling software, completes an economic impact analysis to establish the estimated annual tax revenue and other impacts to the state economy over the full term of the proposed project. This analysis is then included in the executive summary packet that is presented to the Economic Advisory Council for review.

**IDAHO REIMBURSEMENT INCENTIVE ACT**  
**PROCESS NARRATIVE (Continued)**  
**For the Year Ended June 30, 2019**

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To receive final approval, an application and the recommended TRI term and percentage must be approved by the Economic Advisory Council who typically meet on a monthly basis to review TRI projects. The Director, with the assistance of the Business Attraction team, is responsible for making the presentation to EAC. After hearing the recommendation, EAC can then take one of three actions: accept or reject the Director's recommendation, or request additional information in order to make a decision. If approved, the Director is then authorized to proceed and enter into a final agreement with the Applicant.

After EAC approval, the Grants & Contracts Manager enters into agreement negotiations with the company. A standard agreement, approved by the Department's Deputy Attorney General, is provided to the Applicant and any requested changes by the Applicant are evaluated by the Grants & Contracts Manager in consultation with the Department's Deputy Attorney General. Once a final agreement is negotiated, it is executed by the Company and the Director.

Annual reporting documents are sent to all Applicant's with executed TRI agreements in the first quarter of each calendar year. Applicants that anticipate qualification for a credit must file a full report with the Department by May 15 of each calendar year unless they have requested an income tax filing extension, in which case the report must be filed by October 15 of the calendar year.

Upon receipt of the Applicant's annual report, the Grants & Contracts Manager reviews the report for compliance and commences verification of the report contents with other subject matter experts within the Department. Applicant employee reports are requested from the Idaho Department of Labor (IDOL) and the contents are cross referenced with the list of new hires and reported wages submitted by the Applicant. A random sampling of 10% of all the Sales and Use tax receipts reported by the Applicant is requested from the Applicant. If the sampling contains errors, a larger sample is requested. For corporate income tax verification, the reported amounts are verified by an in person review of the Applicant tax return held at the Idaho State Tax Commission.

After verification of the report, the Grants & Contracts Manager creates a TRI checklist to determine compliance with the terms of the TRI agreement. The checklist is verified by the Director and staff. The Grants & Contracts Manager then calculates the tax credit amount based on the annual reporting and submits to the Director for final approval.

**IDAHO REIMBURSEMENT INCENTIVE ACT**  
**SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND**  
**RECOMMENDATIONS**  
**For the Year Ended June 30, 2019**

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**Procedure 1: Completeness of the application process**

**Control:** *The Department's staff reviews all TRI applications to ensure all required information is included.*

*Procedure:*

We evaluated the completeness of the 7 applications that have been approved by EAC as of June 30, 2019. Our evaluations included inquiries, observations, inspections and walk-throughs as deemed necessary. We reviewed Idaho Code 67-4737 through 67-4744, to determine the minimum required information to be obtained in the application process as outlined in section 67-4739, Idaho Code. As noted below:

1. A complete description of the proposed project and the economic benefit that will accrue to the state as a result of the project
2. A description of explanation of whether the project will occur or how it will be altered if the tax credit application is denied by the council
3. Proof of a community match
4. An affidavit from the tax commission confirming that the applicant is in good standing in the state of Idaho and is not in unresolved arrears in the payment of any state tax or fee administered by the tax commission
5. A detailed statement with an estimate of Idaho goods and services to be consumed or purchased by the applicant during the term
6. Known or expected detriments to the state or existing industries in the state
7. An anticipated project inception date and proposed schedule of progress
8. Proposed performance requirements and measurements that must be met prior to issuance of the tax credit
9. A detailed description of the proposed capital investment
10. A detailed description of jobs to be created, an approximation of the number of such jobs to be created and the projected wages to be paid for such jobs, and
11. A detailed description of the estimated new state tax revenues to be generated by the project.

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The following documentation was reviewed to assess the completeness in our testing:

1. Idaho Code 67-4737 through 67-4744.
2. Executive summary packet as presented to the EAC by the Department.
3. Letter of intent to recommend to the applicant
4. Letter of community match commitment
5. Full TRI application
6. Schedule of new jobs, inclusive of salary schedule
7. Schedule of estimated new State taxes
8. Certification of good standing by Idaho Tax Commission, if applicable

*Evaluation and Recommendations:*

Based on the procedures performed, it appears that the applications are being completed.

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**Procedure 2: Controls related to the Department of Commerce TRI evaluations**

- 1. The Director of the Idaho Department of Commerce provides the EAC with the Director's recommendation for approval of a TRI application.**

The Director's recommendation includes the proposed credit percentage and term length of the credit. The Director's executive summary package is provided to the EAC to assist in their evaluation of the project. The package includes all the information tested in Procedure 1, as well as financial and credit information on the Applicant, an executive summary and the Departments internal evaluation of the impacts of the project on the economy of the State of Idaho.

- 2. The TRI staff at the Department of Commerce hold weekly meetings to evaluate the current/ongoing applications.**

The staff meetings are attended by key members of the TRI team including, the Director, Business Development & Operations Administrator, Business Attraction Manager, Business Attraction Specialists, Research Analyst, Grants & Contracts Analyst, Business Retention & Expansion Manager, and Grants & Contracts Manager. Items such as project scoring, economic impact models, company financial information and projected return on reimbursement are reviewed. For approximately the first six months of the program, and from time to time as needed, the meetings were also attended by the Department's assigned Deputy Attorney General.

*Procedures:*

1. We reviewed each of the 7 TRI recommendations by the Director and corresponding informational package provided to the Economic Advisory Council.
2. Inquired of key members of the TRI team.

*Evaluation and Recommendations:*

Based on the procedures performed all 7 TRI's were appropriately recommended by the Director. The Director's approval was accepted and approved by the EAC.

Based on our inquiry, the TRI update meetings appear to be conducted as designed.

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**Procedure 3: Controls and procedures related to the Economic Advisory Council (EAC)**

Tested the follow key controls:

- 1. The Economic Advisory Council reviews and approves all TRI's prior to issuance by the Department.**

The EAC must approve all applications prior to the Department entering into an agreement with the applicant. Following the presentation of the applicant's information and recommendation by the Director. The EAC can vote to approve the TRI as it was recommended, reject the application or request additional information prior to issuing a final decision.

- 2. If an EAC member has a conflict of interest, the conflict is disclosed and the EAC member(s) do not vote.**
- 3. The EAC members are appropriately appointed.**

67-4704, Idaho Code. Economic advisory council -- Appointment of members -- Qualifications. There shall be an economic advisory council to advise the Department in the preparation and execution of plans, projects and programs in the furtherance of the power and duties conferred by section 67-4703, Idaho Code. The director shall consult, confer and advise with the advisory council in connection with all decisions concerning the administration and development of such plans, projects and programs. The approval of the advisory council shall be a condition precedent to the undertaking of action in the implementation of such plans, projects and programs by the Department. The advisory council shall consist of eight (8) persons, who shall be appointed by and serve at the pleasure of the governor, and who shall serve for three (3) year terms. They shall serve and shall be compensated as provided by section 59-509(n), Idaho Code. One (1) person shall be appointed to represent each of the seven (7) planning regions of the state, of which the appointee shall be a resident, and one (1) member shall serve in a statewide capacity. No more than five (5) members of the economic advisory council shall be from any one (1) political party.

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*Procedures:*

1. Reviewed the EAC minutes to ensure that the TRI's were properly approved by the EAC.
2. Reviewed the signed EAC annual ethical responsibility statements. Inquired of key members of the TRI staff to identify any known conflict of interest with EAC members.
3. Reviewed the EAC membership roster to ensure that the provisions section 67-4704, Idaho Code were being appropriately followed concerning the political and geographic makeup of the EAC membership.

*Evaluation and Recommendations:*

Based on the testing performed, there were no exceptions identified in the controls related to the EAC. Considerable discussion appears to occur on each application and the EAC appears to function as an effective oversight body.

Based on our review of the EAC roster, the requirements to have no more than five (5) members of anyone political party and representation from the seven (7) planning regions, plus one at-large seat are being followed.

As of June 30, 2019, all board members have signed ethical responsibility statements and no conflicts of interest were declared by any Council members.

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**Procedure 4: Completeness and accuracy of Tax Reimbursement Incentive Agreement**

**Control: TRI agreements are reviewed by Department staff to ensure the minimum information required is included and complete and accurate.**

*Procedures:*

We reviewed Idaho Code 67-4737 through 67-4744, to determine the minimum required information to be included in the agreement. We evaluated the completeness and accuracy of the finalized applicant agreements for the TRI's that have been approved by EAC, as of June 30, 2019. Our evaluations included inquiries, observations and inspection as deemed necessary.

We reviewed the agreement letters for the following minimum terms:

1. The term of the agreement which in no case shall exceed fifteen (15) years
2. The projected new state revenues to be generated during the term of the project
3. The method and recordkeeping requirements to be used by the applicant to determine the new state revenue paid by the applicant. The approved tax credit percentage applied to new state revenue each year the applicant is entitle to receive the reimbursements during the term of the project
4. The projected new jobs
5. The terms and conditions of any and all requirements and measurements that must be met prior to the issuance of a tax credit authorization
6. The agreed upon and necessary proof of compliance required prior to tax credit issuance. Proof of compliance provided by the applicant must be adequate to demonstrate to the director that all requirements and measurements have been met for the applicant to receive the tax credit
7. The consequences of default by the applicant
8. The period to be used to determine the taxes paid at the date of application
9. Identification of any individual or entity included within the application that is entitled to a rebate pursuant to section 63-3641 or 63-4408, Idaho Code, or is required to obtain a separate seller's permit pursuant to chapter 36, title 63, Idaho Code.
10. The federal employer identification and social security number for each individual or entity included within the definition of business entity and that is included within the filing of the application; and
11. Identification of the individual or entity that is or will be claiming the refundable credit.

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*Evaluation and Recommendations:*

It was noted during our testing that of the 7 approved TRI's as of June 30, 2019, 3 final agreements had been signed as the date of this report. Per inquiry of the Department, all approved FY19 applications are still considered valid and the other 4 final agreements have not been signed due to ongoing negotiations or are pending Applicant choice of Idaho as a location. The open agreements appear reasonable based on timing of the awards.

It was noted that 9 of the 9 FY18 applicants had agreements that had not been signed as of June 30, 2018. As of June 30, 2019, 3 decided to not come to Idaho, and the other 6 had signed agreements.

Based on the testing performed, the signed agreements include the minimum required information.

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**Procedure 5: Review and evaluation of the applicant's annual reporting procedures and issuance of the Tax Credit Authorization Certificate**

**Controls:**

- 1. The Director and appropriate Department staff review the required annual reporting by the applicant and determine compliance with the terms of the fully executed TRI agreement**
- 2. The Director approves or denies issuance of the tax reimbursement**

Background: Annually as outlined in the terms of the TRI agreement and as outlined in Idaho Code 67-4737 through 67-4744 applicants are required to provide certain key information to the Department to allow the Director to fully evaluate compliance with the agreement and either issue or deny the tax reimbursement for that year.

*Procedure:*

We reviewed the submitted annual reporting for the following documentation:

1. Supporting documentation of the new state revenues from the applicant's new project that were paid during the preceding calendar year
2. Supporting documentation of the new jobs that were created during the preceding calendar year
3. Known or expected detriments to the state or existing industries in the state
4. A document that expressly directs and authorizes the tax commission and department of labor to allow the department access to the applicant's returns and other information that may be necessary to verify or otherwise confirm the declared new state revenues
5. An affidavit from the tax commission confirming that the applicant is in good standing in the state of Idaho and is not in unresolved arrears in the payment of any state tax or fee administered by the tax commission
6. Identification of any individual or entity included within the application that is entitled to a rebate pursuant to section 63-3641 or 63-4408, Idaho Code, or is required to obtain a separate seller's permit pursuant to chapter 36, title 63, Idaho Code
7. Supporting documentation that the business entity has satisfied the measurements and requirements outlined in the agreement

We verified the mathematical accuracy of the calculations made by the department to get to the final credit authorization. We also recalculated the factors by which eligibility to receive the credit were determined.

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*Evaluation and Recommendations:*

For the 2016 Calendar Year:

As of June 30, 2019, 9 tax credit authorizations had been issued for the 2016 calendar year. Based on the testing procedures performed, the annual reports for which credit was issued were in compliance with the requirements as outlined by Idaho Code 67-4737 through 67-4744.

For the 2017 Calendar Year:

As of June 30, 2019, 29 annual reports were due from approved applicants for the 2017 calendar year for the department to review. At June 30, 2019, 24 reports had been received and 5 had not responded to the department's request. Of the 24 received, 9 were only required to provide narrative reports as they did not qualify in the current reporting period for a credit and 15 were full reports. As of June 30, 2019, 10 tax credit authorizations had been issued for the 2017 calendar year. During testing it was noted that the Department could not produce all of the documentation required by Idaho Code 67-4737 through 67-4744 for 2 annual reports for which the Department issued a certificate for tax reimbursement. As of the date of this report, the Department has obtained the required documentation that was not present at time of the certificate issuance. Besides the above mentioned exceptions, all annual reports for which certificates were issued were in compliance with the requirements as outlined by Idaho Code 67-4737 through 67-4744.

For the 2018 Calendar Year:

As of June 30, 2019, 31 annual reports were due from approved applicants for the 2018 calendar year for the department to review. At June 30, 2019, 12 reports had been received, 1 decided not to do business in Idaho, 10 were extended additional reporting time by the department, and 8 had not responded to the department's request. Of the 12 received, 6 were only required to provide narrative reports as they did not qualify in the current reporting period for a credit and 6 were complete reports. As of June 30, 2019, no tax credit authorizations had been issued for this period and therefore the reports will be tested in subsequent periods.





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