Example Scenarios

Property Exempt from Taxation 2017

(63-602NN)

The following are clarifying examples, all of which are based on the assumptions that the county has established five hundred thousand dollars ($500,000) as the required minimum amount of investment and the county enters into an agreement with the taxpayers.

1. A company chooses your community to tear down an existing facility and build a new manufacturing facility. Prior to the project, the base value is four million dollars ($4,000,000) which is comprised of the market value of the land at three million dollars ($3,000,000) and the market value of the existing facility at one million dollars ($1,000,000). After construction, the land and facility have a taxable value of thirteen million dollars ($13,000,000), three million ($3,000,000) of which is the land value. Providing all conditions of the agreement have been met and the commissioners agreed to a full exemption, the exempt amount will be nine million dollars ($9,000,000).

2. An existing company chooses to expand and build a new processing line. Prior to the project, the base value of the existing building and land is twelve million dollars ($12,000,000). After the expansion project is complete, the new processing line increased the value of the building and land to sixteen million dollars ($16,000,000). Providing all conditions of the agreement have been met and the commissioners agreed to a full exemption, the exempt amount will be four million dollars ($4,000,000 No portion of the original base value of twelve million dollars ($12,000,000) can be granted this exemption.

3. A company purchases an existing building and land which are valued at eight million dollars ($8,000,000). The company will purchase new equipment in the amount of three million dollars ($3,000,000). After the investment is made, the existing land, building and equipment are now valued at twelve million dollars ($12,000,000). The additional one million dollars ($1,000,000) in building value is attributed to the contributory value of the investment. The investment did not add value to the land. Providing all conditions of the agreement have been met and the commissioners agreed to a full exemption, the exempt amount will be four million dollars ($4,000,000). No portion of the original base value of eight million dollars ($8,000,000) can be granted this exemption.

4. A company buys a building with a prior year's value of one million dollars ($1,000,000). The company makes application to the county commissioners requesting a full exemption for the next five (5) years for any increases in value that are directly related to its plan to invest in the facility. An agreement is reached whereby the taxpayer will be granted a limited exemption for the increase in market value up to two million dollars ($2,000,000) for three years. In

the first year, the company invests two million dollars ($2,000,000) in the facility and the market value of the building increases to two million five hundred thousand dollars ($2,500,000) (not all of the investment contributes to market value). Providing all conditions of the agreement have been met, the first year exempt amount will be one million five hundred thousand dollars ($1,500,000). In year 2, the company invests an additional eight hundred thousand dollars ($800,000) and the value of the building increases to three million three hundred thousand dollars ($3,300,000). The exemption in year 2 will be two million dollars ($2,000,000). This is the difference between the original base value of one million dollars ($1,000,000) and the current value in year 2, but is limited by the agreed-upon two million dollar ($2,000,000) maximum. In year 3, the company makes additional investments and the building value increases to four million dollars ($4,000,000). The exemption in year 3 is limited to two million dollars ($2,000,000) as provided in the original agreement. Beginning in year 4, there will be no further exemptions allowed under the original agreement.