631. TAX EXEMPTION FOR INVESTMENT IN NEW OR EXISTING PLANT AND BUILDING FACILITIES UPON COUNTY COMMISSIONERS' APPROVAL (RULE 631).

Section 63-602NN , Idaho Code.

01. The Investment in Plant. In order to qualify for this exemption a taxpayer must invest at least ~~three million dollars ($3,000,000)~~ the minimum required investment as established by county ordinance in new or existing plant or building facilities excluding the investment in land. ~~See Section 63-602NN, Idaho Code.~~ ~~(5-8-09)~~(7-1-17)T

a. Ordinance to establish the minimum required investment. The county commissioners must pass an ordinance to establish any minimum required investment amount of not less than five hundred thousand dollars ($500,000). Once passed, any minimum investment so established shall remain in place until superseded by another ordinance. (7-1-17)T

b. Frequency of ordinances to establish minimum required investment. Any ordinance establishing a minimum required investment must remain in effect during the tax year in which it is first in effect. After that tax year, the county commissioners may provide a different required investment amount by passing a new ordinance. However, any agreement entered into under minimum investment criteria established by prior ordinance will be effective for the duration of the exemption time period granted. (7-1-17)T

02. The Exemption. The board of county commissioners may exempt all or a portion of the ~~market value~~ value of real property improvements and associated personal property that would otherwise be in excess of the base value for property designated as ~~market value of~~ the defined project for a period of up to five (5) years. Land is not eligible to be included in this exemption. ~~See Section 63-602NN(2), Idaho Code.~~ ~~(5-8-09)~~(7-1-17)T

a. Base value. The base value is the taxable value, as found on the property roll, subsequent property roll, or missed property roll, of the property associated with the plant investment for the tax year immediately preceding the first year in which the exemption is to be granted. (7-1-17)T

b. Site improvements. Site improvements, which may add value to land, but are not otherwise categorized as improvements for property tax purposes, are not eligible for this exemption. (7-1-17)T

c. Application. The taxpayer must make application with the county commissioners who have complete discretion to accept or deny the application. No property can be exempt for more than five years. The amount of exemption granted may be any amount related to market value added due to the investment, to the extent such added value exceeds the original base value.

(7-1-17)T

d. Occupancy tax. As provided in Section 63-602Z, Idaho Code, the exemption may apply to property subject to occupancy tax. Granting of the exemption from occupancy tax will not reduce the period during which the property tax exemption provided in Section 63-602NN may be granted. (7-1-17)T

03. Examples. The exemption applies only to ~~new~~ plant or ~~new~~ building facilities in

which the required investment ~~has been~~ is to be made during the project period and which are located at the project site. The exemption may be applied to any value increases if these increases are directly attributable to the investment ~~does not apply to property existing prior to the execution of the contract to exempt~~. See the following 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.
~~(3-29-17)~~(7-1-17)T

a. 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 t~~T~~he market value of the land ~~purchased is~~ at three million dollars ($3,000,000)~~. T~~ 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). ~~new facility after construction is ten million dollars ($10,000,000), not including the land. The board of county commissioners may exempt all or a portion of the market value of the facility (ten million dollars ($10,000,000) for up to five (5) years. They cannot exempt any portion of the land value.~~ ~~(3-29-17)~~(7-1-17)T

b. An existing company chooses to expand and build a new processing line. Prior to the project, the base value of t~~T~~he existing building and land ~~are valued at~~ is twelve million dollars ($12,000,000). After the expansion project is complete, t~~T~~he new processing line ~~will~~ 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 ~~The board of county commissioners may exempt all or a portion of the increase value of the facility, which is~~ four million dollars ($4,000,000) ~~for up to five (5) years. They cannot exempt any~~ No portion of the original base value of twelve million dollars ($12,000,000) can be granted this exemption. ~~(3-29-17)~~(7-1-17)T

c. A ~~new~~ company purchases an existing building~~. The existing building~~ and land ~~is~~ which are valued at eight million dollars ($8,000,000). The company will purchase new equipment in the amount of three million dollars ($3,000,000). After the investment is made, t~~T~~he existing ~~property with the new~~ land, building and equipment ~~is~~ are now valued at ~~eleven~~ twelve million dollars ($~~11~~12,000,000). The additional one million dollars ($1,000,000) in building value is attributed to the contributory value of the investment. The investment did not add value to the land. Providing all conditions of the agreement have been met and the commissioners agreed to a full exemption, the exempt amount will be four ~~The board of county commissioners may exempt all or a portion of the increased value of the property, which is three~~ million dollars ($~~3~~4,000,000). ~~They cannot exempt any~~ No portion of the original base value of eight million dollars ($8,000,000) can be granted this exemption. ~~(3-29-17)~~(7-1-17)T

d. 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. (7-1-17)T

04. Cross Reference. See Rule 802 of these rules for instructions relating to the valuation of new construction. (5-8-09)