

Frequently Asked Questions

Property Exempt from Taxation 2017

(63-602NN)

1. Is the exemption based on the amount of investment made in the property?

Answer: No. The exemption is based on the increased value of the property once investment in the plant or facility has been made.

2. What is the minimum investment amount required to qualify for this exemption?

Answer: The minimum investment amount is determined by County Commissioners in each county individually, but it cannot be less than \$500,000.

3. What type of facility qualifies for this exemption?

Answer: The statute states that commercial or industrial facilities which are non-retail will qualify.

4. How is commercial and industrial defined?

Answer: The statute does not define commercial or industrial. The County Commissioners and County Attorney will determine which projects are considered commercial or industrial.

5. Does the purchase of land count towards the minimum investment requirement?

Answer: No. The investment must be in the new or existing facility; buildings, equipment and parking facility.

6. Does the cost of site improvements such as sidewalks, curbs, gutters and landscaping count towards the minimum investment requirement.

Answer: No. Improvements such as these are considered part of the land. The investment must be in the new or existing facility; buildings, equipment and parking facility.

7. What happens if the project changes after the exemption has been approved?

Answer: If the nature of the project changes in such a way that it would no longer qualify for the exemption (jobs no longer being created, investment does not meet minimum threshold, etc) then the agreement can be terminated and the tax exemption withdrawn.

8. Since \$100,000 of personal property is tax exempt, does that affect the investment amount?

Answer: No. The personal property tax exemption does not affect the minimum investment amount.

9. Does the public have an opportunity to voice questions or concerns on whether an exemption is granted?

Answer: Yes. The County Commissioners will hold a public meeting regarding the exemption. Written notice of the time, date and location of the meeting will be published and an invitation to affected taxing districts will be sent at least 5 days before the meeting. The public is not given a vote, but they can voice any questions or concerns to be considered by the County Commissioners.

10. How often is the property assessed?

Answer: When a facility is under construction the county would appraise the property annually until the project was complete. This would be the case with a commercial or industrial property regardless of the exemption. A completed property would typically be physically inspected every 5 years, unless there were changes to the property. The value could change during construction as new buildings and equipment are added. Some counties may require an inspection more frequently to verify compliance with the conditions in the resolution.

11. The law states that the county commissioners may exempt all or a portion of the market value of the project for a period of up to five years. What might that look like?

Answer: The taxpayer and the county will determine a term that is acceptable to both parties (the percentage and number of years not to exceed five years). Keep in mind, the exemption is **only** on the increased value of the property. If a decrease in value occurs, an exemption cannot be granted. Any combination of percentage and years is allowable, see examples below.

- 75% for 4 years
- 50% for 5 years
- 100% for 3 years, and 50% for 2 years
- 100% for 2 years, 50% for 2 years, 25% for 1 year

The County may also determine when the exemption period begins. It does not necessarily need to start upon granting the exemption. If the taxpayer adds new property and an additional \$3,000,000 investment after the exemption begins, then this new portion can also be given, up to, a five year exemption. The first qualifying project received a 100% exemption for 5 years beginning on January 1 2015 and ending January 1, 2020. The second qualifying project received a 75% exemption for 5 years beginning on January 1, 2017 and ending January 1, 2022.

12. Is there deadline for businesses to apply for the exemption?

Answer: Yes. April 15th of each year. According to statute 63-602 (3) (b) For exemptions that require an application, provided such exemptions are for property otherwise subject to assessment by the county assessor, the application must be made to the county commissioners by April 15 and the taxpayer and county assessor must be notified of any decision by May 15, unless otherwise provided by law.

13. What is the project period?

Answer: The project period means the period of time beginning when the first employee is hired or the first physical change to the project site (ground breaking); whichever is earlier and ends when the new facility is operational.

14. Is the term of the exemption required to match the length of the project period?

Answer: No. The exemption can be for up to five years. The term of the exemption is determined by the county commissions and is not tied to other time periods.

15. When does the exemption begin?

Answer: The statute does not state when the exemption must begin. Therefore, when it begins can be negotiated between the county commissioners and the business. It can be when construction begins, when the exemption is approved, when the facility is operational, when the minimum investment requirement has been made, etc. The exemption just cannot exceed five years. Some things to keep in mind when determining the start of the exemption might be bonds, those soon to be expired and those planned for the near future. The agreed upon start and end date should be stated in the resolution.