

IDAHO TAX REIMBURSEMENT INCENTIVE FY2020 ANNUAL REPORT





In its sixth fiscal year, the Idaho Reimbursement Incentive Act (TRI) has assisted businesses across Idaho in creating jobs and growing wages. 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 a TRI awardee.

In March 2020, the Idaho Supreme Court issued an opinion upholding the constitutionality of the Tax Reimbursement Incentive. The Supreme Court's opinion affirmed a previous district court decision and confirmed the TRI does not improperly delegate legislative authority and does not improperly limit judicial review. This decision preserves all existing TRI awards and enables Idaho Commerce and the Economic Advisory Council to continue to administer future qualified awards.

Beginning FY2015 through FY2020, TRI awards have been issued to 65 different qualifying businesses. Twelve awards were issued in FY2020. While it is still too early to realize the full impact of the awards issued in FY2020, we estimate these businesses will create 1,700 jobs and almost \$1 billion in new wages when their expansions are completed and realized over their award periods.

Through FY2020, over 3,050 new jobs have been created for Idahoans across the state. These new jobs are paying an average of \$53,300 annually, well above the state's average annual salary.

As the program finishes its sixth year, of the 65 projects awarded through FY2020, 35 awards went to businesses in rural communities, while 30 awards went to urban areas. Existing Idaho businesses have qualified for 35 awards, while businesses new to Idaho have qualified for 30

awards. In FY2020, five awards went to rural areas and seven to urban areas, while seven 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 by the Economic Advisory Council. The evaluation process considers factors such as new job numbers and wage amounts, overall economic impact, workforce availability, and contribution to the local and regional economy.

We are appreciative of the trust Idaho's Legislature and Governor have placed in the Economic Advisory Council and Idaho Commerce to review and manage this essential economic development program.

In this annual report, you will find a comprehensive update of the TRI program for the last fiscal year and over the life of TRI. Per statute, included are the results of the FY2020 annual audit, which was conducted by an outside, independent auditor who reviewed the TRI program for compliance and accountability. The results of this year's audit were satisfactory and without exceptions.

Our Idaho Commerce team looks forward to utilizing this economic incentive responsibly, and when appropriate, for the positive economic impact it has for communities across Idaho.

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

Tom Kealey

Director, Idaho Commerce

FY2020 TRI Overview

The sixth year of TRI has been another successful year in helping to support the growth of Idaho communities. During FY2020, seven of the twelve approved projects were in urban areas while five were in rural areas. Additionally, five of the twelve approved projects were new-to-Idaho companies while seven were existing Idaho businesses.

From FY2015 through FY2020, the Idaho Economic Advisory Council has approved 65 projects. When completed, these projects' investments are projected to create 10,794 jobs across the state and pay over \$5.1 billion in new wages for Idaho citizens. With an average projected

wage of \$49,367, these new jobs are well above the statewide average annual wage of \$44,890.

Through FY2020, 35 of the 65 project awards went to existing Idaho businesses and 35 of the 65 project awards went to rural communities. We are excited to see the TRI continue to deliver valuable economic development results to our state's existing businesses and rural communities.

The incentive supports companies ranging in industries including advanced manufacturing, aerospace, food production, back office and shared services, software and technology, hospitality, chemical processing, transportation education, and warehousing and distribution.

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 new jobs in rural communities (city population of 25,000 or less) or 50 in urban centers.
- New jobs must be full time (30 hours or more) and the average wage must be 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 be a significant economic impact in the community and Idaho.
- Prove that the incentive is a critical factor in the company's decision to expand 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.

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.

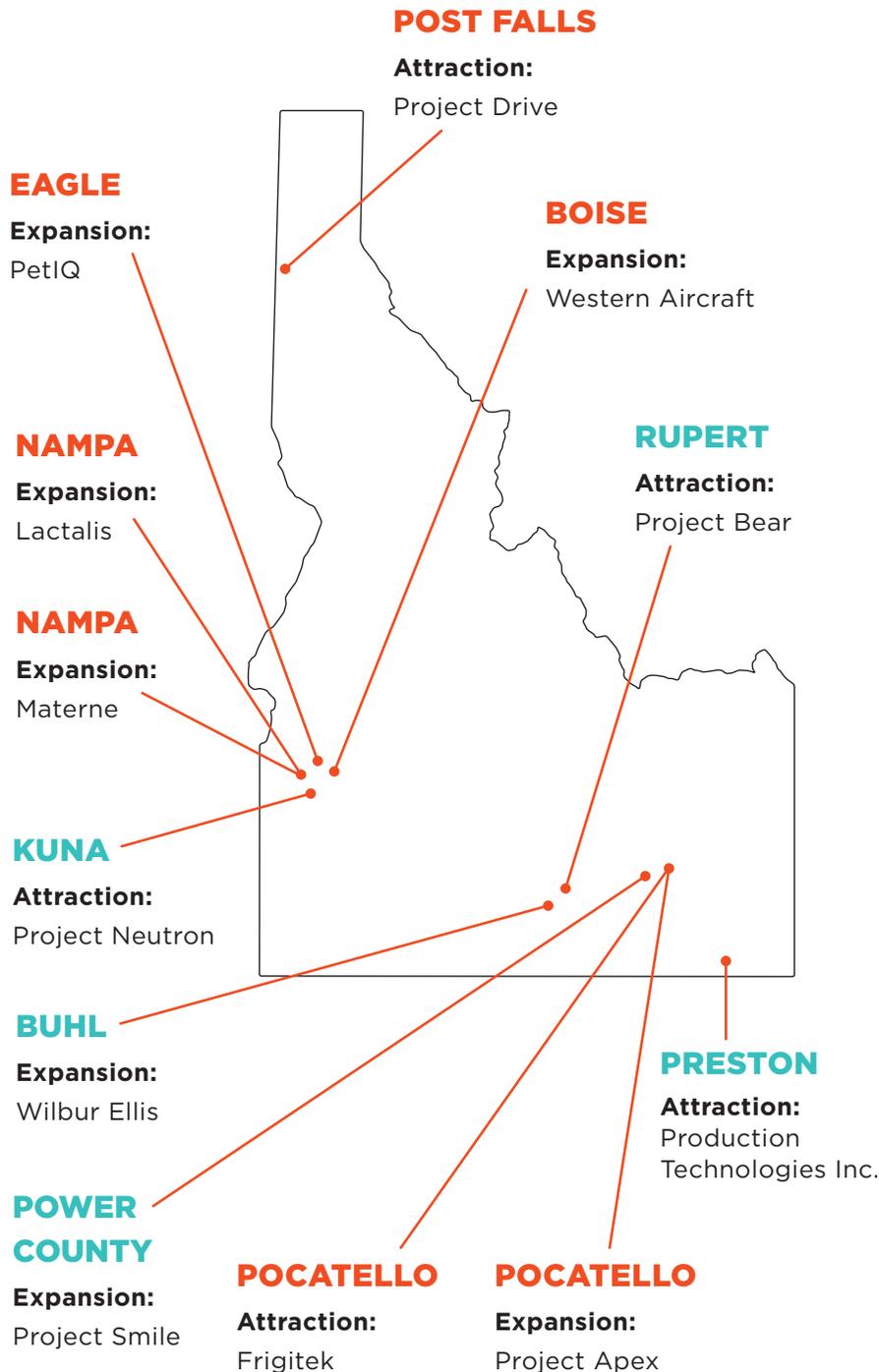
COMPANY REPORTING

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.

FY2020 Announced Projects



FY2020 Total TRI Projects



LEGEND

- RURAL
- URBAN

INDUSTRY	
5	Food Production
2	Advanced Manufacturing
1	Aerospace
1	Chemical Processing
1	Corporate Office/Shared Services
1	Transportation
1	Warehousing & Distribution

LOCATION	
7	Urban
5	Rural

TYPE	
7	Expansion
5	Attraction

FY2020 Success Stories



MATERNE NORTH AMERICA

Materne North America, a French owned company with U.S. headquarters in New York City, is a market leader in providing solutions to help active families with fun, smart and innovative snacks in forms and tastes that kids love. Materne's flagship brand, GoGo squeeZ®, is a squeezable, resealable, 100% fruit, all-natural, no-sugar-added fruit-based snack for kids. In 2014, Materne began production of GoGo squeeZ pouches at their new facility in Nampa, Idaho.

In the winter of 2019, Materne selected the Nampa facility for a production line expansion, creating a positive ripple effect throughout the community. Not only will the company purchase more fruit and ingredients from local suppliers, they will hire an additional 50+ employees to join their existing workforce of 215 people. New positions for this project will pay an average wage of \$40,442, which is well above the Canyon County average wage of \$35,809.



The Economic Advisory Council awarded Materne a TRI award of 22% for 11 years. This offer will amount to an estimated \$2.6 million over the term of the TRI agreement.

With \$17.3 million projected in new tax revenue, the State of Idaho will receive approximately \$6.70 for every \$1.00 reimbursed to Materne.



PRODUCTION TECHNOLOGIES INC.

Production Technologies, Inc. (PTI) began in 2002 out of a parking lot in Logan, Utah. PTI designs and creates unique solutions for problems manufacturers face. Their products and services are based in steel fabrication, serving industries such as agriculture, amusement, construction, and solar. In addition, the company has a strong market share in powder coating with one of the largest facilities in the intermountain area.

PTI has selected Preston, Idaho for their relocation and construction of a new 33,000 square foot manufacturing facility at an estimated cost of \$1 million dollars. They will create 93 jobs including equipment operators, and assemblers. The average wage will be \$34,702, which is \$5,605 above the Franklin County average wage.

Upon completion of construction, PTI anticipates being operational in November 2020. Community pride is a motivating factor behind PTI's relocation to Preston, where they see this as an opportunity to improve industry and commerce where many of the staff grew up.

The Economic Advisory Council approved a TRI award of 13% for 7 years for PTI. This offer will amount to an estimated \$311,248 over the term of the TRI agreement.

The total state tax revenue impact will be \$4.3 million. The state will benefit from a \$13.66 ROI for every \$1.00 reimbursed to PTI.

FY2020 Estimated Impact to the State

When fully implemented, the twelve TRI projects approved in FY2020 will create an estimated 1,717 jobs in the state. These projects will generate approximately \$558 million in new capital investment, are estimated to generate \$264 million in new tax revenue to the state, and more importantly,

will bring over \$991 million in new payroll to the state. The estimated total value of the twelve awards is \$34 million resulting in an estimated 4:1 return on investment to the State's General Fund.

RETURN ON INVESTMENT: 423%

COMPANY	EST. JOB	EST. AVERAGE WAGES	EST. TOTAL PROJECT PAYROLL	EST. STATE TAX REVENUE	EST. CAPITAL INVESTMENT
Project Drive	692	\$60,024	\$456,903,836	\$85,885,013	\$10,000,000
Project Neutron	35	\$49,100	\$11,600,000	\$2,600,000	\$3,900,000
Wilbur Ellis	97	\$44,724	\$36,500,000	\$16,900,000	\$10,000,000
Project Bear	63	\$40,081	\$25,600,000	\$11,100,000	\$2,850,000
Materne	53	\$40,442	\$28,500,000	\$17,300,000	\$32,800,000
Project Smile	180	\$51,889	\$131,100,000	\$46,900,000	\$400,000,000
Production Technologies Inc.	93	\$34,702	\$32,200,000	\$4,300,000	\$1,000,000
Frigitek	50	\$46,920	\$22,479,000	\$5,956,189	\$53,000,000
Western Aircraft	133	\$66,654	\$76,055,000	\$16,307,345	\$19,000,000
Project Apex	75	\$44,453	\$36,454,000	\$14,916,608	\$1,500,000
Lactalis	75	\$36,401	\$20,807,288	\$8,159,400	\$1,700,000
PetIQ	171	\$64,971	\$113,590,000	\$33,497,040	\$22,400,000
TOTAL	1,717	\$54,289	\$991,789,124	\$263,821,595	\$558,150,000

FY2020 Estimated Tax Credit Commitments

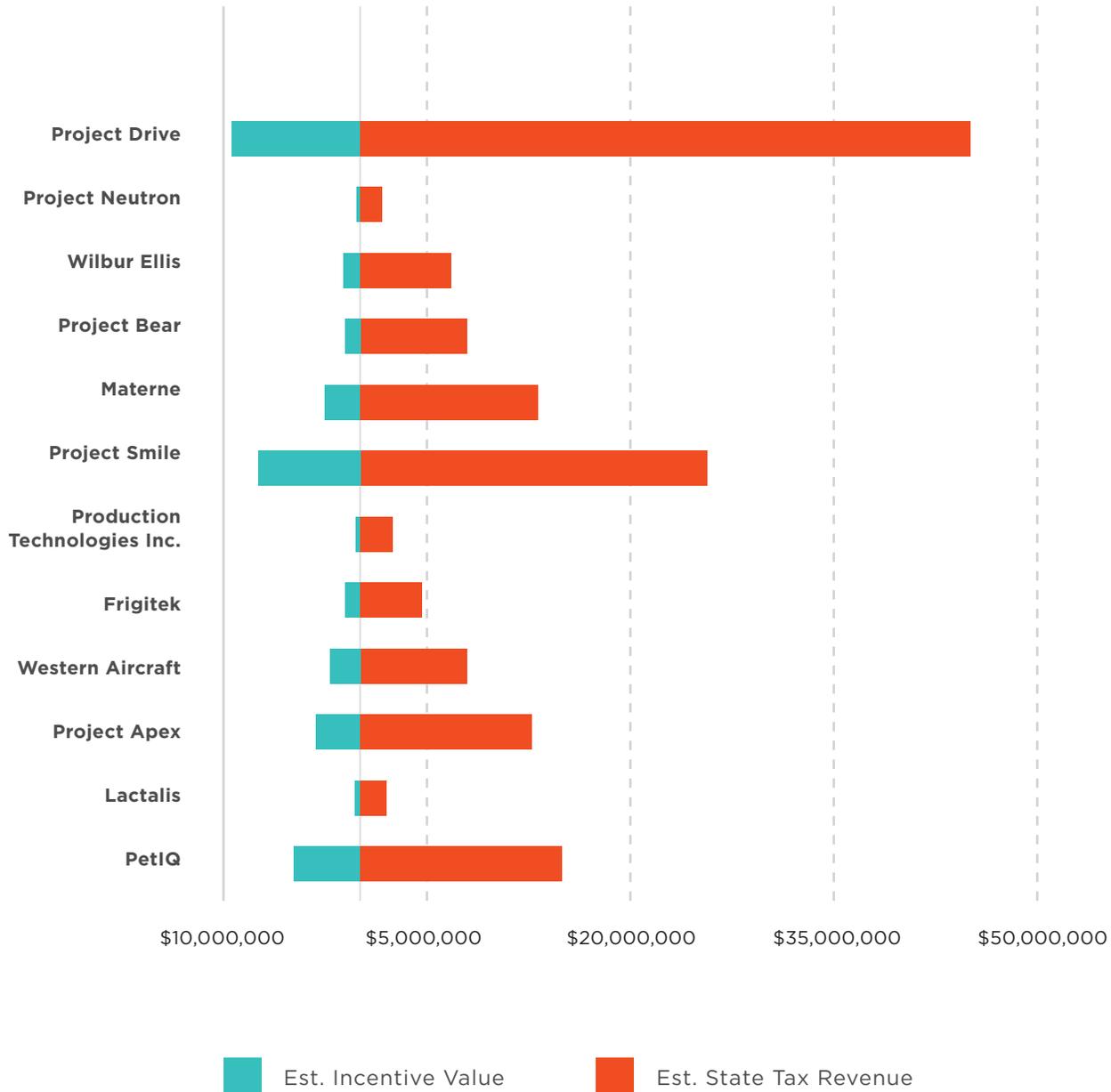
THE AVERAGE FY2020 TRI AWARD WAS 21% OVER 10 YEARS, SIGNIFICANTLY LESS THAN THE MAXIMUM AVAILABLE AWARD OF 30% FOR 15 YEARS.

At full term, the aggregated value of tax reimbursements awarded in FY2020 will total \$34.2 million across all twelve projects.

COMPANY	CITY	COUNTY	PERCENTAGE AWARDED	TERM (YEARS)	EST. INCENTIVE VALUE
Project Drive	Post Falls	Kootenai	23	11	\$9,460,718
Project Neutron	Kuna	Ada	16	8	\$227,459
Wilbur Ellis	Buhl	Twin Falls	20	10	\$1,200,000
Project Bear	Rupert	Minidoka	15	7	\$1,100,000
Materne	Nampa	Canyon	22	11	\$2,600,000
Project Smile		Power	30	15	\$7,500,000
Production Technologies Inc.	Preston	Franklin	13	7	\$310,000
Frigitek	Pocatello	Bannock	22	11	\$1,054,148
Western Aircraft	Boise	Ada	23	11	\$2,241,450
Project Apex	Pocatello	Bannock	23	12	\$3,233,128
Lactalis	Nampa	Canyon	17	8	\$349,221
PetIQ	Eagle	Ada	28	14	\$4,884,731
Total/Average			21	10	\$34,160,855

FY2020 Estimated Cost and Benefits

When fully implemented, the twelve projects approved in FY2020 are projected to generate an estimated \$144 million in new direct state tax revenue at a cost of \$34.2 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 since inception within existing staff and operational budget. No new staff or operational dollars have been used to support the program.

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

PROJECTED TRI PROGRAM SUMMARY (FY2015-FY2020)

Approved Projects: **65**
 Average Offer Percentage: **21**
 Average Offer Term: **10 years**
 Approved Projects Jobs: **10,794**
 Average Projects Annual Wage: **\$49,367**
 Total Projects Payroll: **\$5,180,985,124**
 Total Capital Investment: **\$1,974,450,000**
 Estimated Full-Term Direct Tax Revenue: **\$602,142,018**
 Total Estimated Incentive Value: **\$143,612,555**
 Gross Return on Reimbursement (ROI): **419%**

Actual TRI Impact to Date

Actual TRI Credits Requested in CY2019: **\$1,544,332**

Actual TRI Credits Issued in CY2019: **\$1,501,292**

Actual Credits Requested to Date: **\$7,023,825**

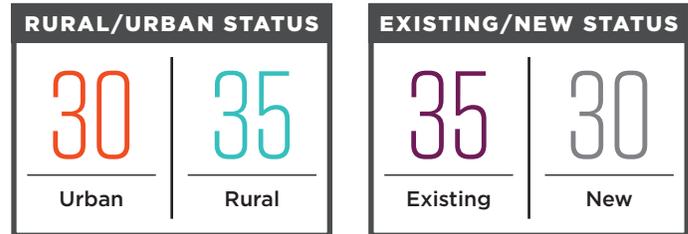
Actual Credits Issued to Date: **\$5,924,073**

Companies Issued Credits to Date: **17**

Jobs Forecasted to Date: **3,932**

Actual Jobs Created to Date: **3,059**

Actual Average Wage to Date: **\$53,300**



INDUSTRIES REPRESENTED



Total Projects to Date

Of the 65 projects approved since the inception of the TRI program on July 1, 2014, 29 incentivized companies have created jobs prior to December 4, 2020, when the reporting period closed. 17 of these companies which were issued a credit. The following companies have created jobs and/or began operations prior to the reporting period closing.

Company	City	TRI %	TRI Term (yrs)	Est. Jobs	Actual Jobs
AGC AeroComposites	Hayden	20	8	134	102
Albertsons	Boise	30	15	300	307
AMFEC	Nampa	21	9	89	128
Amy's Kitchen	Pocatello	26	15	1000	682
Aspen Skiing Company	Ketchum	16	3	57	39
ATC Manufacturing	Post Falls	20	8	225	131
Athlos Academies	Boise	17	8	50	14
Autovol	Nampa	24	12	349	12
Biomedical Innovations	Sandpoint	18	9	33	67
Dow Chemical Company	Burley	24	9	21	23
Emsi	Moscow	30	15	527	30
Fabri-Kal	Burley	22	9	150	74
Gayle Manufacturing	Caldwell	20	6	105	79
Glanbia	Gooding	23	10	43	33
Guidant Financial	Boise	20	10	102	28
Hearthside Food Solutions	Boise	25	10	80	210
ICOM	Meridian	21	10	90	68
Kochava	Sandpoint	28	10	208	93
McCain	Burley	30	15	186	170
NewCold	Burley	25	12	68	11
Orgill	Post Falls	26	10	138	158
Paylocity	Boise	28	15	551	300
Quest Aircraft	Sandpoint	25	12	187	34
Skywest	Boise	25	12	100	111
SmakPlastics	Hayden	15	7	45	21
Verified First	Meridian	17	8	72	31
Vista Outdoor	Lewiston	28	14	137	60
Wildwood Grilling	Sandpoint	14	7	21	9
ZoRoCo Packaging	Greenleaf	18	8	50	34

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.

Company	City	TRI %	TRI Term (Years)	Est. Jobs
Auberge Resorts	Ketchum	16	3	109
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
Frigitek	Pocatello	22	11	50
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
Lactalis	Nampa	17	8	75
Materne	Nampa	22	11	53
PetIQ	Eagle	28	14	171
Production Technologies Inc.	Preston	13	7	93
Project Adam	Weiser	17	8	47
Project Apex	Pocatello	23	12	75
Project Bear	Rupert	15	7	63
Project Drive	Post Falls	23	11	692
Project Green	Greenleaf	18	9	76
Project Neutron	Kuna	16	8	35
Project Smile	Power County	30	15	180
Project Widget	Nampa	22	10	180
Thor Industries/ Heartland RV	Nampa	20	10	275
Western Aircraft	Boise	23	11	133
Wilbur Ellis	Buhl	20	10	97
Woodgrain Millwork	Fruitland, Emmett	22	10	91

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

Company	City	TRI	TRI Term (Years)	Est. Jobs
Project Breeze 2	Hayden	23	10	59
Project Circuit	Boise Valley	26	15	351
Project Clipper/Sparrow	Boise Valley	25	14	1400
Jelli	Boise	20	8	92
Leeds look listen	Carey	18	9	73
Project Lincoln	Post Falls	18	8	60
Project Pipe	Pocatello	18	9	80
Project Steel 2	Hayden	15	7	28
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 makes recommendations to the Governor on applications for Community Development and Rural Community Block Grant funding.

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.

FY2020 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 - Zions 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

Financial Statements

Idaho Reimbursement Incentive Act

For the Year Ended June 30, 2020



Helping you succeed, financially and beyond.

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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, 2020. 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, 2020 are operating in accordance with the Idaho Reimbursement Incentive Act, per Idaho Code sections 67-4737 through 67-4744, in all material respects.

Harris CPAs

Meridian, Idaho
November 16, 2020



IDAHO REIMBURSEMENT INCENTIVE ACT
EXECUTIVE SUMMARY
For the Year Ended June 30, 2020

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 administering 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 2020 from July 1, 2019 through June 30, 2020 (FY2020).

For the fiscal year ended June 30, 2020, the Department has received approval from the Economic Advisory Council (EAC) to enter into 11 Tax Reimbursement Incentive Agreements. This report covers all approved TRI awards for FY2020. The Department continues to accept applications for the TRI program and may have entered into agreements subsequent to June 30, 2020; however, those agreements are beyond the scope of this report.

IDAHO REIMBURSEMENT INCENTIVE ACT
EXECUTIVE SUMMARY (Continued)
For the Year Ended June 30, 2020

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, 2020, 36 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, 2020

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, 2020

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, 2020

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 Applicants with executed TRI agreements in the first quarter of each calendar year. Applicants that anticipate qualifying 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, 2020

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 11 applications that have been approved by EAC as of June 30, 2020. 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 or 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.

IDAHO REIMBURSEMENT INCENTIVE ACT
SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND
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For the Year Ended June 30, 2020

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.

IDAHO REIMBURSEMENT INCENTIVE ACT
SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND
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For the Year Ended June 30, 2020

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 12 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 12 TRI's were appropriately recommended by the Director. The Director's approval was accepted and approved by the EAC for 11 applicants during FY20. 1 applicant was recommended in FY20, but was not approved by the EAC until FY21.

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

IDAHO REIMBURSEMENT INCENTIVE ACT
SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND
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For the Year Ended June 30, 2020

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.

IDAHO REIMBURSEMENT INCENTIVE ACT
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For the Year Ended June 30, 2020

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, 2020, all EAC members have signed ethical responsibility statements and no conflicts of interest were declared by any Council members, with the exception of a conflict of interest on two of the projects. The members who had the conflict of interest was recused from voting on the project.

IDAHO REIMBURSEMENT INCENTIVE ACT
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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, 2020. 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 entitled 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 12 approved TRI's as of June 30, 2020, 3 final agreements had been signed as the date of this report. Per inquiry of the Department, all approved FY20 applications are still considered valid and the other 9 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 FY19 applicants had agreements that had not been signed as of June 30, 2019. As of June 30, 2020, 2 decided to not come to Idaho, 1 has yet to sign the agreement, 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 2018 Calendar Year:

As of June 30, 2020, 43 annual reports were due from approved applicants for the 2018 calendar year for the department to review. At June 30, 2020, 24 reports had been received, 11 projects had been withdrawn, and 8 had not responded to the department's request. Of the 24 received, 10 were only required to provide narrative reports as they did not qualify in the current reporting period for a credit and 14 were full reports. As of June 30, 2020, 10 tax credit authorizations had been issued for the 2018 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 2019 Calendar Year:

As of June 30, 2020, 44 annual reports were due from approved applicants for the 2019 calendar year. All applicants were granted additional time to file due to the COVID-19 pandemic which caused the original due date to be moved until after the fiscal year end.

