

2021

IDAHO TAX REIMBURSEMENT INCENTIVE ANNUAL REPORT

PHOTO COURTESY: VISIT IDAHO





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FROM THE DIRECTOR

In its seventh — and most successful — year, the Idaho Tax Reimbursement Incentive (TRI) continues to play a significant and important role in fostering job and wage growth across Idaho, in rural and urban areas and with new and existing businesses.

At Idaho Commerce, our mission is to support Idaho businesses and communities to grow our state's economy. Our mission would not be possible without the businesses that call Idaho home.

The TRI enables Idaho to be competitive nationally for expansion and relocation projects. This incentive makes Idaho more attractive to support job and wage growth for all Idahoans.

The TRI is a post-performance incentive. Benefits are earned after jobs have been created and maintained, wages have been verified and all commitments have been met. This is just one way Idaho ensures that the real benefit goes to Idaho communities.

From FY2015 to FY2021, 80 TRI awards were issued. Of these projects, 42 have been approved for businesses new to Idaho and 38 have been approved for existing Idaho businesses. The awards have assisted both rural and urban communities, with 45 awarded to rural communities and 35 to urban communities. The incentive supports industries ranging from advanced manufacturing, aerospace, food production, back office and shared services, software and technology, hospitality, education, chemical processing, transportation and warehousing and distribution.

Since inception, over 13,000 jobs are expected to be created with over \$6 billion in projected new wages for Idaho residents and estimated total capital expenditures of nearly \$3 billion.

In FY2021 alone, 16 TRI awards were issued. Eleven of these awards went to rural communities, while five were awarded to urban areas. Twelve of the approved awards were for businesses new to Idaho, and four were for expansions. When completed, the companies are projecting over 2,400 new jobs across the state with an average annual wage of over \$56,000 which is above the statewide average annual wage.

Each TRI application is vetted thoroughly and consistently by Idaho Commerce staff and Idaho's Economic Advisory Council (EAC). Not every applicant receives approval from EAC. The evaluation process considers factors such as new jobs and wages, investments including overall economic impact, workforce availability and contributions to the local and regional economy.

In this annual report, you will find a comprehensive update of the TRI program for the last fiscal year and the life of the program. Per statute, included are the results of the FY2021 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. Awarded TRI projects have, and will have, substantial impacts in Idaho.

Our Idaho Commerce team looks forward to FY2022, and to utilizing this economic incentive responsibly and appropriately to improve Idaho's economy for businesses, communities and citizens across our great state.



TOM KEALEY
Director, Idaho Commerce



LEARN MORE ABOUT IDAHO COMMERCE AT [COMMERCE.IDAHO.GOV](https://commerce.idaho.gov)

WHAT IS THE IDAHO TAX REIMBURSEMENT INCENTIVE?

The Idaho Tax Reimbursement Incentive (TRI) is a post-performance tool that enables qualifying companies to receive a refundable tax credit of up to 30% on 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.



PHOTO COURTESY: JST MANUFACTURING

RECENT TRI RECIPIENT, JST MANUFACTURING AT THE GRAND OPENING OF THEIR NEW FACILITY IN MERIDIAN.

TO QUALIFY

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



New jobs must be **full-time** (30 hours or more) and pay an average wage per week **equal to or greater than the average county wage.**



Demonstrate a **meaningful community match.**



Prove that the incentive is a critical factor in the company's decision to **expand in Idaho.**



Provide **significant economic impact** to the community and Idaho.



Create **20 new jobs in rural communities** (population of 25,000 or less) or **50 in urban areas.**

SCORING AND 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, an 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 Local Economy



Impact on State Economy



Impact on Industry

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 and industries 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 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 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.





FY2021 TRI OVERVIEW

The Tax Reimbursement Incentive's seventh year has proven to be another successful year in supporting the growth of Idaho communities. During FY2021, 16 projects were approved. Of these, 11 were in rural areas and five were in urban areas. Similarly, 12 of the approved projects were to companies new to Idaho, and four were to existing Idaho businesses. When completed, these projects' investments are projected to create over 2,400 jobs across the state with estimated pay of almost \$1.3 billion in new wages for Idaho residents. With an average project wage of over \$56,000 these new jobs are above the statewide average annual wage.

From FY2015 through FY2021, the Idaho Economic Advisory Council has approved 80 TRI projects. When complete, these projects' investments are estimated to create over 13,000 jobs across the state and pay over \$6 billion in new wages for Idaho residents. With an average project wage of nearly \$50,000, these new jobs are above the statewide average annual wage.

Of the 80 approved projects, 42 have been approved for businesses new to Idaho, while 38 have been to existing Idaho businesses. Furthermore, the awards have assisted both rural and urban communities, with 45 going to rural communities and 35 to urban communities.

The incentive supports companies across industries including, advanced manufacturing, food production, back office and shared services, chemical processing and mining.



PHOTO COURTESY: JST MANUFACTURING

FY2021 AWARDS

LOCATION

RURAL	URBAN
11	5

TYPE

ATTRACTION	EXPANSION
12	4

INDUSTRY

ADVANCED MANUFACTURING	10
FOOD PRODUCTION	3
CHEMICAL PROCESSING	1
MINING	1
CORPORATE OFFICE & SHARED SERVICES	1

FY2021 ANNOUNCED TRI PROJECTS



TRI SUMMARY TO DATE

PROJECTED SUMMARY (FY2015 - FY2021)

Approved projects: **80**
 Average offered percentage: **21**
 Approved projects' jobs: **13,038**
 Average project annual wage: **\$50,443**
 Total projects' payroll: **\$6,296,193,670**
 Total capital investment: **\$2,803,520,000**
 Estimated full-term direct tax revenue: **\$891,218,624**
 Total estimated incentive value: **\$255,906,499**
 Gross return on reimbursements (ROI): **395%**

LOCATION

RURAL

45

URBAN

35

TYPE

ATTRACTION

42

EXPANSION

38



INDUSTRIES REPRESENTED



Advanced Manufacturing: **32**



Corporate Office and Shared Services: **9**



Warehouse Distribution: **5**



Travel and Tourism: **2**



Transportation: **1**



Mining: **1**



Food Production: **15**



Software and Technology: **6**



Aerospace: **5**



Education Services: **1**



Chemical Processing: **2**



Forging Stamping: **1**



ECONOMIC ADVISORY COUNCIL

The Economic Advisory Council (EAC) 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.

In addition to making Tax Reimbursement Incentive recommendations, the council makes recommendations to the Governor on applications for Community Development Block Grant and the Rural Community Investment Funds.

In addition, council members advise their regions on economic development opportunities and represent their interests to state government. The council consists of eight 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.

FY2021 MEMBERS

STEVE MEYER - REGION I, PARTNER, PARKWOOD BUSINESS PROPERTIES

PAUL KIMMELL - REGION II, REGIONAL BUSINESS MANAGER, AVISTA CORPORATION

MIKE REYNOLDS - REGION III, VICE PRESIDENT GOVERNMENTAL AFFAIRS, BLUE CROSS OF IDAHO

JOHN CRANER (CHAIR) - REGION IV, BUSINESS BANKER, ZIONS BANK

RICK PHILLIPS - REGION V, PUBLIC AFFAIRS MANAGER, SIMPLOT AGRIBUSINESS GROUP

DONNA O'KELLY - REGION VI, DIRECTOR, ANALYTICAL RESEARCH LABORATORIES, IDAHO NATIONAL LABORATORY

DAVE WILSON - REGION VII, OWNER, WILSON CONSTRUCTION

SANDY PATANO - AT-LARGE, OWNER, SANDY PATANO CONSULTING

TRI SUCCESS STORIES

TRUE WEST BEEF

True West Beef is one of 16 companies that utilized the Idaho Tax Reimbursement Incentive (TRI) to expand or relocate to Idaho this fiscal year.

True West Beef, a new partnership between Agri Beef Company, based in Boise, and a group of cattle ranchers and feeders in the northwest, announced plans to build a 500 head per day meat processing plant in Jerome.

The facility will be state-of-the-art, designed with the latest food safety innovations. The project is expected to have a capital expenditure of nearly \$200 million.

This new facility is promising for the city of Jerome, offering high-paying jobs and opportunities to the region. The processing plant will also work closely with local ranchers, furthering the economic value added from this project.

As for the top reasons True West Beef chose Idaho for its expansion? Jay Theiler, Agri Beef Executive Vice President of Public Relations, said Idaho's strong business incentives, low taxes and abundance of high-quality cattle set it apart from any other state.

“Idaho Commerce was an instrumental partner in encouraging us to apply for tax and business incentives that would become the decisive factors in helping us make the decision to expand in Idaho,” Theiler said. “Companies considering Idaho will find a state open for business. From the Governor on down to state agencies and local officials, everyone is focused on helping your business succeed. The question you will most often hear is ‘what do you need and how can we help?’.”

PHOTO COURTESY: AGRIBEEF



CONSTRUCTION IS WELL UNDERWAY ON TRUE WEST BEEF'S MEAT PROCESSING PLANT LOCATED IN JEROME.



PHOTO COURTESY: AZEK

COMMERCIAL BUILDING PRODUCT MANUFACTURER, AZEK IS EXPECTED TO CREATE 146 NEW JOBS IN ITS EXPANSION TO IDAHO.

AZEK

AZEK, a company creating low-maintenance outdoor living products that replace wood, was approved a Idaho Tax Reimbursement Incentive (TRI) award for its expansion to Boise.

AZEK will set up shop in a 350,000 square-foot new production facility in Boise, bringing over 140 jobs to the surrounding community. The project is expected to have a capital expenditure of over \$107 million.

The facility is part of AZEK’s \$230 million capacity expansion program. Construction on the facility has begun and the company has started to hire key members of the team who will be located in Boise. The facilities’ next big milestone will be the formal ribbon-cutting ceremony — expected in the spring of 2022 — commemorating the official kickoff of AZEK’s operations in Boise.

According to Amanda Cimaglia, vice president at AZEK, AZEK chose Boise for its expansion for a multitude of reasons.

“Outside of driving expansive growth for the company, AZEK chose Boise as its newest location, in part, because of the city’s skilled workforce, but also because the city matched its values in putting sustainability at the heart of its operations,” Cimaglia said.

METALQUEST UNLIMITED

Approved late last year, Idaho Tax Reimbursement Incentive (TRI) awardee MetalQuest Unlimited has already begun its expansion to Idaho.

MetalQuest Unlimited, a custom manufacturing company specializing in custom machine components for major OEMs plans to invest \$3.75 million in machinery and a newly constructed facility in Kootenai County. The expansion of their custom machine shop is set to employ around 25 in the area.

As for why the company decided to locate its expansion in Idaho, MetalQuest Unlimited President Scott Harms cited Idaho’s pro-business climate, growing workforce and welcoming atmosphere.

“Idaho gave us access to new regional business opportunities that we did not have otherwise,” Harms said. “We are just getting started understanding the positives of doing business in Idaho. What we have experienced so far, is a very pro-business climate, the people here have been incredibly nice, incredibly helpful, at all levels. We started around the beginning of this year, so we have only experienced a few months in Idaho, but so far, it is everything we hoped it would be.”

Harms said the company is looking forward to its future in Idaho and will soon begin building a new facility and its labor force.

“We would like to thank everybody in the economic development community that has helped us throughout this process, we really could not have done this without you, and it was a very key reason that we chose Idaho as a location for our expansion,” Harms said.



PHOTO COURTESY: METALQUEST UNLIMITED

METALQUEST WILL CONTINUE TO BUILD ITS NEW FACILITY AND LABOR FORCE IN THE COMING YEARS.

FY2021 ESTIMATED IMPACT TO THE STATE

In FY2021, the Idaho Economic Advisory Council has approved 16 projects. When completed, these projects' investments are projected to create 2,469 jobs across the state with an average project wage of \$56,478, these new jobs are above the statewide average annual wage.

These projects will generate almost \$1.3 billion in new payroll to the state, resulting in an estimated 3.5:0 return to the State's General Fund.



PHOTO COURTESY: MICRON TECHNOLOGY



PROJECT/ COMPANY NAME	ESTIMATED JOB CREATION	ESTIMATED AVERAGE WAGES	ESTIMATED TOTAL WAGES	ESTIMATED STATE TAX REVENUE	ESTIMATED CAPITAL INVESTMENT
Artisan Labs	170	\$43,634	\$38,256,655	\$17,979,758	\$1,870,000
AZEK	146	\$50,479	\$67,675,000	\$16,275,219	\$107,600,000
JST Manufacturing	50	\$58,138	\$19,076,340	\$3,416,855	\$4,700,000
Lamb Weston	70	\$48,371	\$47,400,000	\$15,800,000	\$90,000,000
MetalQuest Unlimited	25	\$45,400	\$9,810,000	\$1,696,533	\$3,750,000
Project Aces	32	\$50,606	\$16,629,550	\$2,945,589	\$2,500,000
Project Custom	139	\$44,709	\$62,145,510	\$9,457,143	\$115,400,000
Project Diecast	25	\$52,680	\$6,585,000	\$1,413,490	\$1,500,000
Project Family	49	\$54,458	\$20,800,000	\$4,700,000	\$9,000,000
Project Flare	534	\$60,854	\$292,740,000	\$220,637,678	\$180,000,000
Project Golden Eagle	341	\$48,163	\$158,925,500	\$110,203,701	\$352,500,000
Project Jester	29	\$115,000	\$30,015,000	\$4,064,670	\$1,000,000
Project Mineral	164	\$88,940	\$190,200,000	\$59,600,000	\$140,000,000
Project Print 2	136	\$52,463	\$60,952,000	\$15,557,550	\$9,500,000
Project Rubber	39	\$48,205	\$14,060,000	\$5,408,935	\$14,750,000
True West Beef	520	\$41,554	\$240,014,366	\$149,331,553	\$195,000,000
TOTAL/AVERAGE	2,469	\$56,478	\$1,275,284,921	\$638,488,674	\$1,229,070,000

ESTIMATED TAX CREDIT COMMITMENTS

The average FY2021 TRI award was 21% over 10 years. At full term, the aggregated value of the TRI in FY2021 will total nearly \$90 million across all 16 projects.



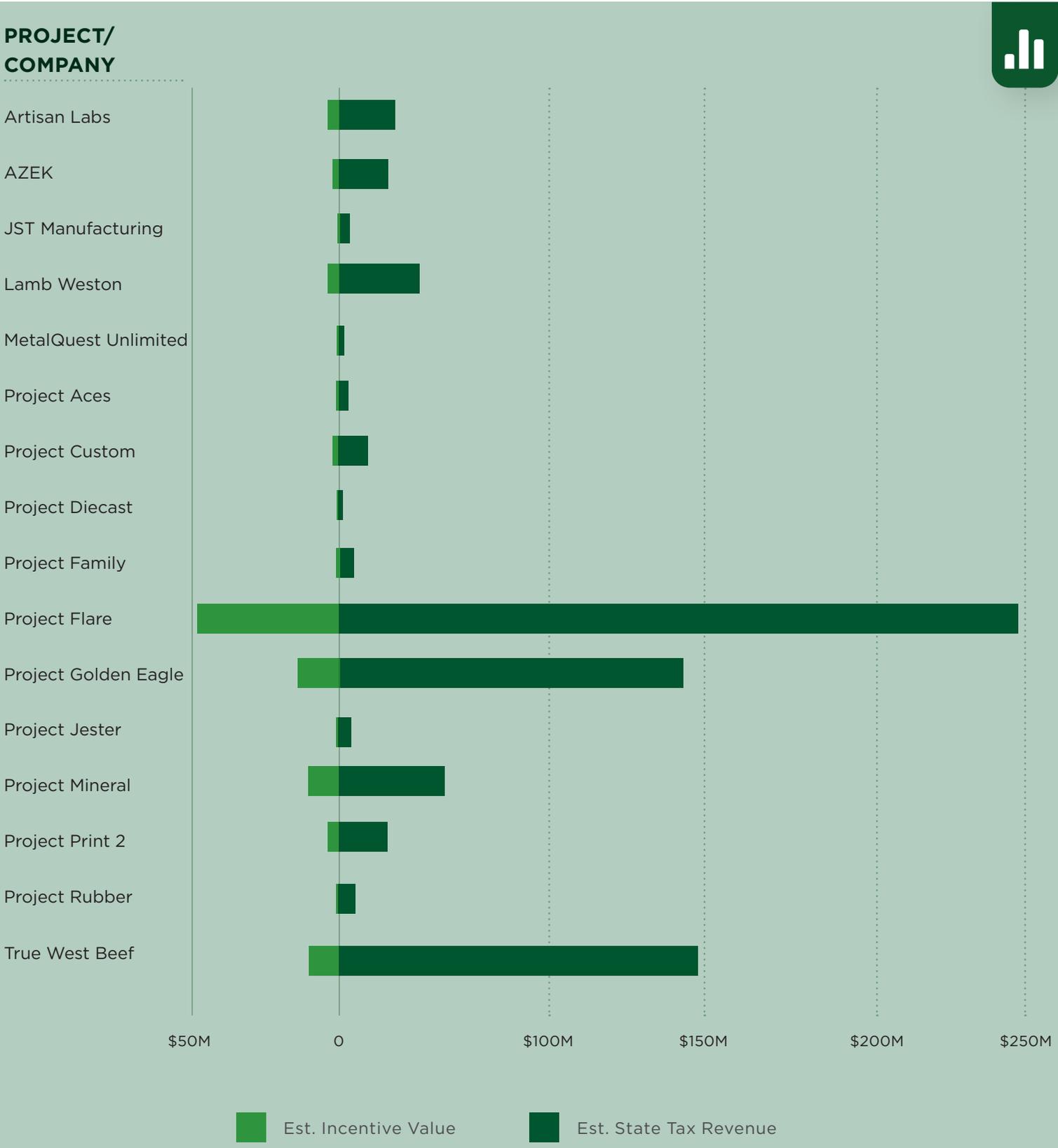
PROJECT/ COMPANY NAME	CITY	COUNTY	AVERAGE PERCENTAGE AWARDED	AVERAGE TERM (YEARS)	ESTIMATED INCENTIVE VALUE
Artisan Labs	Hansen	Twin Falls County	20	10	\$2,158,963
AZEK	Boise	Ada County	21	10	\$1,933,613
JST Manufacturing	Meridian	Ada County	16	8	\$300,492
Lamb Weston	American Falls	Power County	28	14	\$2,415,117
MetalQuest Unlimited	Post Falls	Kootenai County	17	9	\$214,700
Project Aces	Emmett	Gem County	25	12	\$505,629
Project Custom	Nampa	Canyon County	20	10	\$1,002,355
Project Diecast	TBD	TBD	10	5	\$66,264
Project Family	Lewiston	Nez Perce County	20	10	\$480,000
Project Flare	Boise	Ada County	22	10	\$46,890,911
Project Golden Eagle	Burley	Cassia County	30	15	\$13,759,457
Project Jester	Ketchum	Blaine County	18	9	\$410,263
Project Mineral	Salmon	Lemhi County	28	14	\$9,900,000
Project Print 2	Post Falls	Kootenai County	24	12	\$2,011,747
Project Rubber	Mayfield	Elmore County	15	7	\$472,061
True West Beef	Jerome	Jerome County	28	14	\$7,345,666
TOTAL/AVERAGE			21	10	\$89,867,238

PHOTO COURTESY: MICRON TECHNOLOGY



FY2021 ESTIMATED COST AND BENEFITS

When fully implemented, the 16 projects approved in FY2021 are projected to generate an estimated \$315 million in new direct state tax revenue at a cost of almost \$90 million in estimated tax credits to approved and performing companies.



ACTUAL TRI IMPACT TO DATE



Actual TRI Credits Requested in CY2020: **\$2,506,900**

Actual TRI Credits Issued in CY2020: **\$2,485,549**

Actual Credits Issued to date: **\$6,394,154**

Companies Issued Credits to Date: **26**

Total Companies Requesting Incentive: **22**

Jobs Forecasted to Date: **3,876**

Actual Jobs Created to Date: **3,671**

Actual Average Wage: **\$49,960**

TRI PROJECTS JOB CREATION TO DATE

Of the 80 approved projects since the program's inception, 31 incentivized companies have created jobs prior to November 15, 2021. The following companies have created jobs and/or began operations prior to the reporting period closing.

COMPANY	CITY	TRI %	TRI TERM (YEARS)	EST. JOBS	ACTUAL JOBS
AGC AeroComposites	Hayden	20	8	134	102
Albertsons	Boise	30	15	300	312
AMFEC	Nampa	21	9	89	128
Amy's Kitchen	Pocatello	26	15	1,000	682
Aspen Skiing	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	206
Fabri-Kal	Burley	22	9	150	74
Gayle Manufacturing	Caldwell	20	6	105	94
Glanbia	Gooding	23	10	43	33
Guidant Financial	Boise	20	10	102	28
Hearthside Food Solutions	Boise	25	10	80	176
ICOM	Meridian	21	10	90	69
Idaho Milk Products	Jerome	22	9	53	57
Intrinsic Organics	Weiser	18	6	52	20
Kochava	Sandpoint	28	10	208	93
McCain	Burley	30	15	186	185
NewCold	Burley	25	12	68	11
Orgill	Post Falls	26	10	138	158
Paylocity	Boise	28	15	551	329
Quest Aircraft	Sandpoint	25	12	187	34
Skywest	Boise	25	12	100	107
Verified First	Meridian	17	8	72	31
Vista Outdoor	Lewiston	28	14	137	60
Wilbur Ellis	Buhl	20	10	97	70
Woodgrain Millwork	Fruitland; Emmett	22	10	91	292
ZoRoCo Packaging	Greenleaf	18	8	50	34

TRI PROJECTS WITHOUT JOB CREATION TO DATE

The following projects and companies have received a TRI award but 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
AFC Finishing Systems	Weiser	17	8	47
Artisan Labs	Hanson	20	10	170
Auberge Resorts	Ketchum	16	3	109
AZEK	Boise	21	10	146
Capitol Distributing	Caldwell	24	12	343
Critical Power Products & Services	Post Falls	14	7	23
CXT	Emmett	21	9	85
Diversified Fluids	Boise	20	8	50
Frigitek	Pocatello	22	11	50
Hilex Poly/Novolex	Jerome	26	15	45
Jayco	Twin Falls	24	12	360
Jervois	Salmon	28	14	164
JST Manufacturing	Meridian	16	8	50
Lactalis	Nampa	17	8	75
Lamb Weston	Power County	30	15	180
Materne	Nampa	22	11	53
MetalQuest Unlimited	Post Falls	17	9	25
PetIQ	Eagle	28	14	171
Production Technologies Inc.	Preston	13	7	93
Project Aces	Emmett	25	12	32
Project Apex	Pocatello	23	12	75
Project Bear	Rupert	15	7	63
Project Custom	Nampa	20	10	139
Project Diecast	Kootenai County	10	15	25
Project Drive	Post Falls	23	11	692
Project Family	TBD	18	8	49
Project Flare	Ada County	22	10	534
Project Golden Eagle	Cassia County	30	15	341
Project Green	Greenleaf	18	9	76
Project Jester	Ketchum	18	9	29
Project Neutron	Kuna	16	8	35
Project Print 2	Kootenai County	24	12	136
Project Rubber	Elmore County	15	7	20
Project Widget	Nampa	22	10	180
Thor Industries/Heartland	Nampa	20	10	275
True West Beef	Jerome	28	14	20
Western Aircraft	Boise	23	11	133
Wildwood Grilling	Sandpoint	14	7	21



TRI PROJECTS NOT MOVING FORWARD

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
Jelli	Boise	20	8	92
Leeds Looks 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	1,400
Project Lincoln	Post Falls	18	8	60
Project Pipe	Pocatello	18	9	80
Project Steel 2	Hayden	15	7	28
Smak Plastics	Hayden	15	7	45
UiUx (Solu)	Ketchum	18	5	43
Vie Active	Ketchum	10	5	43



PHOTO COURTESY: METALQUEST UNLIMITED

Financial Statements

Idaho Reimbursement Incentive Act
For the Year Ended June 30, 2021



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, 2021. 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, 2021 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
November 17, 2021

IDAHO REIMBURSEMENT INCENTIVE ACT

EXECUTIVE SUMMARY

For the Year Ended June 30, 2021

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 2021 from July 1, 2020 through June 30, 2021 (FY2021).

For the fiscal year ended June 30, 2021, the Department has received approval from the Economic Advisory Council (EAC) to enter into 14 Tax Reimbursement Incentive Agreements. This report covers all approved TRI awards for FY2021. The Department continues to accept applications for the TRI program and may have entered into agreements subsequent to June 30, 2021; however, those agreements are beyond the scope of this report.

IDAHO REIMBURSEMENT INCENTIVE ACT

EXECUTIVE SUMMARY (Continued)

For the Year Ended June 30, 2021

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. Completeness of the information gathered in the application process
2. The controls related to the Department of Commerce'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 of 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, 2021, 51 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, 2021

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.

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PROCESS NARRATIVE (Continued)

For the Year Ended June 30, 2021

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.

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PROCESS NARRATIVE (Continued)

For the Year Ended June 30, 2021

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, 2021

Procedure 1: Completeness of the information gathered in the application process

Control(s) Tested:

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

Procedures:

We evaluated the completeness of the 14 applications that have been approved by EAC and the 1 application declined as of June 30, 2021. 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
RECOMMENDATIONS (Continued)
For the Year Ended June 30, 2021

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
RECOMMENDATIONS (Continued)
For the Year Ended June 30, 2021

Procedure 2: Controls related to the Department of Commerce’s evaluation of the TRI applications

Control(s) Tested:

- 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 15 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, 15 of the TRI’s were appropriately recommended by the Director. The Director’s approval was accepted and approved by the EAC for 14 of the applicants during FY2021, with 1 applicant being rejected for failure to meet the statutory application requirement of the award being critical to the businesses proposed to move.

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
RECOMMENDATIONS (Continued)
For the Year Ended June 30, 2021

Procedure 3: Controls and procedures related to the Economic Advisory Council (EAC) evaluation of potential TRI applications

Control(s) Tested:

- 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.**

In the event a member of the council has a conflict of interest on an application that is before the council, the member shall full disclose it to the council and abstain from any vote on the application.

- 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
SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND
RECOMMENDATIONS (Continued)
For the Year Ended June 30, 2021

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, 2021, all EAC members have signed ethical responsibility statements and no conflicts of interest were declared by any Council members.

IDAHO REIMBURSEMENT INCENTIVE ACT
SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND
RECOMMENDATIONS (Continued)
For the Year Ended June 30, 2021

Procedure 4: Completeness and accuracy of Tax Reimbursement Incentive Agreement

Control(s) Tested:

- 1. 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, 2021. 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.

IDAHO REIMBURSEMENT INCENTIVE ACT
SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND
RECOMMENDATIONS (Continued)
For the Year Ended June 30, 2021

Evaluation and Recommendations:

It was noted during our testing that of the 14 approved TRI's as of June 30, 2021, 6 final agreements had been signed as the date of this report. Per inquiry of the Department, all approved FY2021 applications are still considered valid and the other 8 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 12 FY2020 applicants had agreements that had not been signed as of June 30, 2020. As of June 30, 2021, 6 had yet to sign the agreements, and the other 6 had signed agreements.

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

IDAHO REIMBURSEMENT INCENTIVE ACT
SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND
RECOMMENDATIONS (Continued)
For the Year Ended June 30, 2021

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

Control(s) Tested:

- 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.

IDAHO REIMBURSEMENT INCENTIVE ACT
SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND
RECOMMENDATIONS (Continued)
For the Year Ended June 30, 2021

Evaluation and Recommendations:

For the 2019 Calendar Year:

As of June 30, 2021, 46 annual reports were due from approved applicants for the 2019 calendar year for the department to review. At June 30, 2021, 25 reports had been received, 21 had been extended. Of the 25 received, 11 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, 2021, 14 tax credit authorizations had been issued for the 2019 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 2020 Calendar Year:

As of June 30, 2021, 46 annual reports were due from approved applicants for the 2020 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.

PHOTO COURTESY: VISIT IDAHO



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