

2022

IDAHO TAX REIMBURSEMENT INCENTIVE ANNUAL REPORT

PHOTO COURTESY: JERVOIS GLOBAL



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FROM THE DIRECTOR

Fiscal year 2022 was a great year for economic development investments and the Idaho Tax Reimbursement Incentive (TRI) program.

In the program's eight years, TRI remains crucial to 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. This mission would be impossible if not for 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, meaning benefits are earned only after jobs have been created and maintained, wages have been verified and all project commitments have been met, thus ensuring program benefits go to Idaho residents and communities.

From FY2015 through FY2022, the Idaho Economic Advisory Council (EAC) has approved 87 TRI projects. Once these projects are completed, their investments are estimated to create nearly 16,000 jobs across the state and pay over \$9.2 billion in new wages for Idaho residents over the TRI term. With an average project wage of over \$52,000, these new jobs are above the statewide annual average wage.

Of the 87 approved projects, 44 have been approved for businesses new to Idaho, while 43 have been to

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existing Idaho businesses. Furthermore, the awards have assisted both rural and urban communities, with 47 going to rural communities and 40 to urban communities. The incentive supports companies across Idaho's regions and industries including advanced manufacturing, aerospace, food production, back office and shared services, chemical processing and more.

In FY2022, nine TRI projects were approved. Of these, four were in rural areas and five were in urban areas. Similarly, three of the approved projects were to companies new to Idaho, and six were to existing Idaho businesses. When completed, these projects' investments are projected to create nearly 3,000 jobs across the state with estimated total project wages of almost \$3 billion over the TRI term. With an average project wage of over \$66,000, these new jobs are above the statewide average annual wage.

Each TRI application is vetted thoroughly and consistently by Idaho Commerce staff and EAC. Not every applicant receives approval from EAC. The evaluation process considers factors such as new jobs and wages, investment 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, the results of the FY2022 program audit are included, 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 or findings.

Idaho Commerce looks forward to continue fostering economic development in the state by utilizing this economic incentive responsibly and appropriately to improve Idaho's economy for our businesses, communities and citizens across the state.



TOM KEALEY
Director, Idaho Commerce



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.

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 **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** on 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 regional economies and industries or potential environmental concerns.

The overall project 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.



FY2022 TRI OVERVIEW

In its eighth year, the Idaho Tax Reimbursement Incentive (TRI) has continued to support the growth of Idaho communities.

During FY2022, nine TRI projects were approved. Of these, four were in rural areas and five were in urban areas. Similarly, three of the approved projects were to companies new to Idaho, and six were to existing Idaho businesses.

When completed, these projects' investments are projected to create nearly 3,000 jobs across the state with estimated total project wages of almost \$3 billion. With an average project wage of over \$66,000, these new jobs are above the statewide average annual wage.

From FY2015 through FY2022, the Idaho Economic Advisory Council (EAC) has approved 87 TRI projects. Once the projects are completed, their investments

are estimated to create nearly 16,000 jobs across the state and pay over \$9.2 billion in new wages for Idaho residents. With an average project wage of over \$52,000, these new jobs are above the statewide average annual wage.

Of the 87 approved projects, 44 have been approved for businesses new to Idaho, while 43 have been to existing Idaho businesses. Furthermore, the awards have assisted both rural and urban communities, with 47 going to rural communities and 40 to urban communities.

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

FY2022 AWARDS



RURAL/URBAN

RURAL PROJECTS

4

URBAN PROJECTS

5

EXPANSION/ ATTRACTION

EXPANSION PROJECTS

6

ATTRACTION PROJECTS

3

INDUSTRIES REPRESENTED



Food Production: 5



Advanced Manufacturing: 3



Software and Technology: 1

FY2022 ANNOUNCED TRI PROJECTS



TRI SUMMARY TO DATE

TRI PROGRAM PROJECTED SUMMARY (FY2015 - FY2022)

Approved Projects: **87**
 Average Offer Percentage (%): **22**
 Approved Offer Term (years): **10**
 Approved Project Jobs: **15,910**
 Average Project Wage: **\$52,111**
 Total Project Payroll: **\$9,278,203,809**
 Estimated Full-Term Direct State Tax Revenue: **\$1,169,844,881**
 Total Estimated Incentive Value: **\$324,619,943**
 Gross Return on Reimbursement (ROI): **\$7.21**
 Total capital investment: **\$15,873,020,000**



RURAL/URBAN

RURAL PROJECTS

47

URBAN PROJECTS

40

EXPANSION/ ATTRACTION

EXPANSION PROJECTS

43

ATTRACTION PROJECTS

44

INDUSTRIES REPRESENTED



Advanced Manufacturing: **33**



Food Production: **20**



Corporate Office and Shared Services: **9**



Software and Technology: **7**



Aerospace: **5**



Warehouse Distribution: **5**



Travel and Tourism: **2**



Chemical Processing: **2**



Mining: **1**



Transportation: **1**



Education Services: **1**



Forging and Stamping: **1**

REGIONS

REGION 1	15
REGION 2	3
REGION 3	39
REGION 4	15
REGION 5	7
REGION 6	1
REGION 7	7
TOTAL	87



ECONOMIC ADVISORY COUNCIL

The Economic Advisory Council's (EAC) mission is to advise the Governor and Idaho Commerce on goals and objectives that further economic development within Idaho. 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.

The council provides Tax Reimbursement Incentive recommendations to the Idaho Commerce director and recommendations to the Governor on applications for Community Development Block Grant and the Rural Community Investment Fund. In addition, council members advise their regions on economic development opportunities and represent their regional interests to state government.

FY2022 MEMBERS

JEREMY GRIMM - REGION I, OWNER, WHISKEY ROCK PLANNING

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

MIKE REYNOLDSON (CHAIR) - REGION III, VICE PRESIDENT GOVERNMENTAL AFFAIRS, BLUE CROSS OF IDAHO

RANDY BAUSCHER - REGION IV, OWNER, B&H FARMS

RICK PHILLIPS (VICE CHAIR) - REGION V, PUBLIC AFFAIRS MANAGER, SIMPLOT AGRIBUSINESS GROUP

VACANT - REGION VI

DAVE WILSON - REGION VII, OWNER, WILSON CONSTRUCTION

SANDY PATANO - AT LARGE, OWNER, SANDY PATANO CONSULTING

TRI SUCCESS STORIES

JERVOIS GLOBAL

As the leading cobalt company in the United States, Jervois Global acquired the Idaho Cobalt Operations located near Salmon, Idaho in 2019.

The company is focused on becoming a global supplier in the emerging battery metals market, which is seeing an increased demand for electric vehicles.

Idaho Cobalt Operations is part of three assets that Jervois Global owns and could become the only source of domestic cobalt supply in the United States.

“I do think that it is particularly fortuitous we are in the state of Idaho,” Jervois Global Executive General Manager, Matt Lengerich said. “Idaho has historically supported mining projects, and it is an important part of the state’s history and we are really excited to be a part of that. We have experienced a really great relationship with the state of Idaho.”

The company was approved a TRI award in April 2021 and plans to create over 160 new jobs with a capital investment of over \$140 million. The company hopes to successfully bring the site into commercial production by the end of 2022.

“We are looking to be a long-term member of the Salmon Valley and the Salmon local community,”

Lengerich said. **“This is an area that we want to operate in for as long as possible. Jervois feels privileged to operate in the state of Idaho. We really enjoy the relationship that we have with the state of Idaho, and we hope to continue to invest in the region.”**

PHOTO COURTESY: JERVOIS GLOBAL



JERVOIS GLOBAL IS BRINGING A CAPITAL INVESTMENT OF OVER \$140 MILLION AND OVER 160 NEW JOBS TO SALMON, IDAHO.



PHOTO COURTESY: GOGO SQUEEZ

GOGO SQUEEZ IS ALREADY BEGINNING CONSTRUCTION OF A NEW FACILITY WHICH WILL INCREASE PRODUCTION LINES.

GOGO SQUEEZ

GoGo SqueeZ has a long history in Idaho, establishing its second domestic plant in Nampa more than eight years ago.

The company, which is the flagship brand of Materne North America, produces squeezable fruit-based snacks. It has grown to operate 10 production lines and recently announced a new building expansion.

The building will be more than 204,000 square-foot and provide additional production lines for the company. The project, which was approved for a TRI, will create an additional \$108 million investment over the next three years, generating more than 150 new jobs in Nampa.

Senior financial controller at GoGo SqueeZ, Jerome Negro said the company decided to continue expanding in Idaho due to the unique business-friendly environment they have received over the years as well as close access to fruit supplies and a qualified workforce.

“The city, county and state officials have always been great allies to work with,” Negro said. “They accompanied our business from our plant’s initial establishment until its recent series of expansions. I think Idaho can offer a very rich ecosystem to any business willing to establish itself in a location for the long run. From its geographical location, through its economic upturn, it offers opportunities to expand or set up any business.”

The company hopes to open its new expansion next year, with additional production lines rolling out over the next few years.

“This material investment will generate economic benefits through direct new hires, but also rippling through the City of Nampa and the Canyon County with our local business and community partners,” Negro said.

LAMB WESTON

Since 1961, Lamb Weston has been a staple in Idaho.

As the leading producer of frozen French fries, Lamb Weston has grown considerably over the years but has continued its presence in Southeast Idaho.

Lamb Weston employs more than 500 employees in American Falls and more than 8,000 globally. The company sells its products in more than 100 countries and is currently ranked first amongst other North American frozen potato sellers.

Recently, Lamb Weston decided to expand its existing plant in American Falls, with a capital investment of more than \$400 million. The project is also expected to create over 180 jobs in the region and was approved for a TRI award.

The company’s long history in Idaho as well as the region’s strong agricultural roots were among a few of the top reasons for the company’s decision to expand in American falls.

“Southeast Idaho has great soil and climate to grow good quality potatoes,” Lamb Weston Senior Communications Manager, Tammy Wade said. “There is also available land to expand potato acres with our existing growers. Expanding in American Falls was also a sound decision because of the people. We have operated our plant for more than 60 years and our employees take great ownership in what they do.”



PHOTO COURTESY: LAMB WESTON

LAMB WESTON RECENTLY HELD A GROUND BREAKING ON ITS NEWLY ANNOUNCED EXPANSION.



PHOTO COURTESY: VISIT IDAHO

FY2022 ESTIMATED IMPACT TO THE STATE

In FY2022, the Idaho Economic Advisory Council (EAC) approved nine projects. When completed, these projects' investments are projected to create nearly 3,000 jobs across the state, and with an average project wage of over \$66,000, these new jobs are above the statewide average annual wage. These projects will generate almost \$3 billion in new payroll to the state, resulting in an estimated \$6.36 return to the State's General Fund.

FY2022 APPROVED TRI AWARDS



COMPANY	LOCATION	EST. JOB CREATION	EST. AVERAGE WAGES	EST. TOTAL PROJECT WAGES	EST. STATE TAX REVENUE	EST. CAPITAL INVESTMENT
Lamb Weston	Power County	180	\$51,889	\$131,100,000	\$46,900,000	\$415,000,000
GoGo SqueeZ	Nampa	150	\$59,493	\$123,300,000	\$27,700,000	\$108,000,000
Milk Specialties Global	Jerome County	37	\$58,598	\$21,700,000	\$9,700,000	\$20,000,000
Wild Rye	Blaine County	28	\$74,666	\$14,500,000	\$4,300,000	\$0

FY2022 UNANNOUNCED PROJECTS

Unannounced Projects	5
Est. Job Creation	2,330
Est. Average Wages	\$71,551
Est. Total Project Wages	\$2,685,512,480
Est. Total State Tax Revenue	\$539,431,342
Est. Capital Investment	\$12,526,500,000

TOTALS FOR FY2022

Total Projects	9
Est. Job Creation	2,827
Est. Average Wages	\$66,934
Est. Total Project Wages	\$2,976,112,480
Est. Total State Tax Revenue	\$628,031,342
Est. Capital Investment	\$13,069,500,000

FY2022 ESTIMATED TAX CREDIT COMMITMENTS

The average FY2022 TRI award was 26% over 13 years. At full term, the aggregated value of the TRI in FY2022 will total over \$98 million for all nine projects.

FY2022 ANNOUNCED PROJECTS

COMPANY	LOCATION	PERCENT AWARDED	TRI TERM (YEARS)	EST. INCENTIVE VALUE
Lamb Weston	Power County	30	15	\$7,500,000
GoGo SqueeZ	Nampa	30	15	\$4,400,444
Milk Specialties Global	Jerome County	25	10	\$493,000
Wild Rye	Blaine County	16	8	\$320,000

FY2022 UNANNOUNCED PROJECTS

Unannounced Projects	5
Est. Average TRI %	26
Est. Average TRI Term (Years)	13
Est. Incentive Value	\$86,000,000

TOTALS FOR FY2022

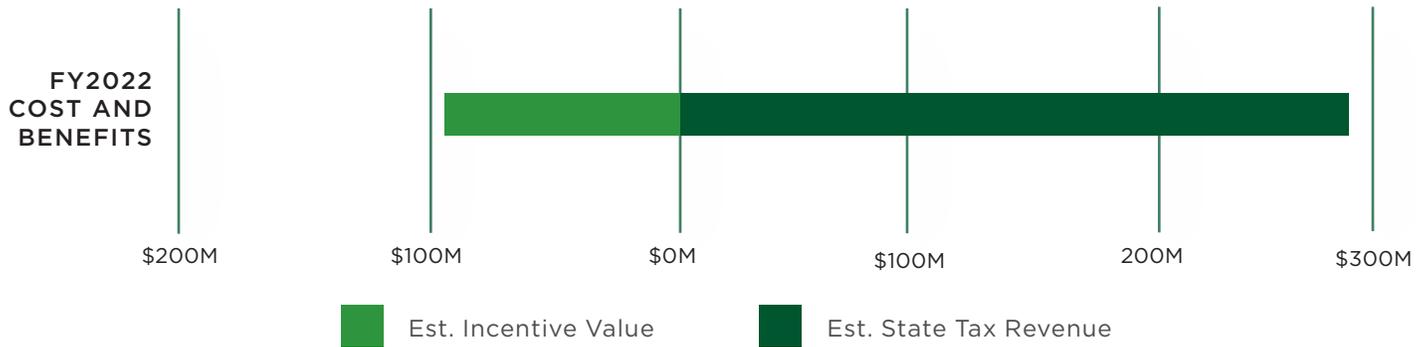
Total Projects	9
Est. Average TRI %	26
Est. Average TRI Term (Years)	13
Est. Incentive Value	\$98,713,444

PHOTO COURTESY: VISIT IDAHO



FY2022 ESTIMATED COST AND BENEFITS

When fully implemented, the nine projects approved in FY2022 are projected to generate an estimated \$278 million in new direct state tax revenue at a cost of almost \$99 million in estimated tax credits to approved and performing companies.



FY2022 ANNOUNCED PROJECTS

COMPANY	LOCATION	EST. INCENTIVE VALUE	EST. STATE TAX REVENUE
Lamb Weston	Power County	\$7,500,000	\$25,600,000
GoGo SqueeZ	Nampa	\$4,400,444	\$13,800,000
Milk Specialties Global	Jerome County	\$493,000	\$1,970,000
Wild Rye	Blaine County	\$320,000	\$2,400,000

FY2022 UNANNOUNCED PROJECTS

Unannounced Projects	5
Est. Incentive Value	\$86,000,000
Est. State Tax Revenue	\$278,626,257

TOTALS FOR FY2022

Total Projects	9
Est. Incentive Value	\$98,713,444
Est. State Tax Revenue	\$278,626,257

PHOTO COURTESY: VISIT IDAHO



ACTUAL TRI IMPACT TO DATE



Actual TRI Credits Requested in CY2021: **\$1,747,451**

Total Companies Requesting Incentive: **29**

Actual TRI Credits Issued in CY2021: **\$1,611,753**

Jobs Forecasted to Date: **6,682**

Actual Credits Issued to date: **\$10,271,660**

Actual Jobs Created to Date: **4,946**

Companies Issued Credits to Date: **27**

Actual Average Wage: **\$63,228**



TRI PROJECTS REPORTED TO DATE

Of the 87 approved projects since the program's inception, 38 incentivized companies have created jobs prior to October 31, 2022. The following companies have created jobs and/or began operations prior to the reporting period closing.

COMPANY	LOCATION	TRI %	TRI TERM (YRS)	EST. JOBS	ACTUAL JOBS
Albertsons	Ada County	30	15	300	327
AMFEC	Canyon County	21	9	89	232
Amy's Kitchen	Bannock County	26	15	1,000	900
Artisan Labs	Twin Falls County	20	10	170	17
Aspen Skiing	Blaine County	16	3	57	33
ATC Manufacturing	Kootenai County	20	8	225	50
Autovol	Canyon County	24	13	349	109
Biomedical Innovations	Bonner County	18	9	33	11
CXT Inc.	Canyon County	21	9	85	69
Dow Chemical Company	Cassia County	24	9	21	23
Emsi	Latah County	30	15	527	106
Fabri-Kal	Cassia County	22	9	150	124
Gayle Manufacturing	Canyon County	20	6	116	85
Glanbia	Gooding	23	10	43	47
GoGo SqueeZ	Nampa	22	11	53	111
Guidant Financial	Ada County	20	10	102	28
Hearthside Food Solutions	Ada County	25	10	80	176
Heartland RV	Canyon County	20	10	275	188
ICOM	Ada County	21	10	90	81
Idaho Milk Products	Jerome	22	9	53	63
Intrinsic Organics	Washington County	18	6	52	37
Jayco Inc	Twin Falls	24	12	360	270
JST Manufacturing	Meridian	16	8	50	27
Kochava	Bonner County	28	10	208	105
Lactalis	Nampa	17	8	75	128
McCain Foods	Cassia County	30	15	186	187
New Cold	Cassia County	25	12	68	82
Orgill, Inc.	Kootenai County	26	10	138	164
Paylocity Corporation	Ada County	28	15	551	347
Quest Aircraft Co. LLC	Sandpoint	25	12	187	34

TOTAL TRI PROJECTS TO DATE (CONTINUED)

COMPANY	LOCATION	TRI %	TRI TERM (YRS)	EST. JOBS	ACTUAL JOBS
Skywest	Ada County	25	12	100	123
Unitech Composites	Kootenai County	20	8	134	102
Verified First	Ada County	17	8	72	28
Vista Outdoor	Nez Perce County	28	14	137	60
Wilbur Ellis	Buhl	20	10	91	28
Wildwood Grilling	Bonner County	14	7	21	47
Woodgrain Millwork	Fruitland, Emmett	22	10	91	292
ZoRoCo Packaging	Greenleaf	18	8	50	105





TRI PROJECTS NOT REPORTED 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.

ANNOUNCED PROJECTS

COMPANY	LOCATION	TRI %	TRI TERM (YEARS)	EST. JOBS
AFC Finishing Systems	Washington County	17	8	47
Athlos Academies	Boise	17	8	50
AZEK	Ada County	21	10	146
Bare Beans	Rupert	15	7	63
Capitol Distributing	Canyon County	24	12	343
Critical Power Products & Services	Kootenai County	14	7	23
Diversified Fluids	Ada County	20	8	50
GoGo SqueeZ (2)	Nampa	30	15	150
Hilex Poly/Novolex	Jerome County	26	15	45
Jervois	Lemhi County	28	14	164
Lamb Weston	American Falls	28	14	70
Lamb Weston (2)	Power County	30	15	180
MetalQuest Unlimited	Kootenai County	17	9	25
Milk Specialties Global	Jerome County	25	10	37
Northwest Fourslide	Nez Perce County	18	8	49
PetIQ	Eagle	28	14	171
Production Technologies Inc.	Preston	13	7	93
Reverly	Blaine County	18	9	29
STOW	Canyon County	20	10	139
Trailcreek Fund LLC	Blaine County	16	3	109
True West Beef	Jerome	28	14	520
WASCO	Gem County	25	12	32
Western Aircraft	Boise	23	11	133
Wild Rye	Blaine County	16	8	28

*INACTIVE PROJECTS ARE NOT INCLUDED IN THIS DATA.

UNANNOUNCED PROJECTS

Unannounced Projects	12
Est. Average TRI %	24
Est. Average TRI Term (Years)	12
Est. Jobs	4,613

Financial Statements

Idaho Reimbursement Incentive Act
For the Year Ended June 30, 2022



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, 2022. 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, 2022 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, 2022

IDAHO REIMBURSEMENT INCENTIVE ACT

EXECUTIVE SUMMARY

For the Year Ended June 30, 2022

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 2022 from July 1, 2021 through June 30, 2022 (FY2022).

For the fiscal year ended June 30, 2022, the Department has received approval from the Economic Advisory Council (EAC) to enter into 9 Tax Reimbursement Incentive Agreements. This report covers all approved TRI awards for FY2022. The Department continues to accept applications for the TRI program and may have entered into agreements subsequent to June 30, 2022; however, those agreements are beyond the scope of this report.

IDAHO REIMBURSEMENT INCENTIVE ACT

EXECUTIVE SUMMARY (Continued)

For the Year Ended June 30, 2022

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, 2022, 69 Tax Credit Authorization Certificates for 25 applicants have been issued since the inception of the program.

IDAHO REIMBURSEMENT INCENTIVE ACT

PROCESS NARRATIVE

For the Year Ended June 30, 2022

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. The Grants & Contracts Manager also analyzes the statement of dependency for completeness.

Once an application is complete, the Grants & Contracts Manager provides a complete application packet to 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 Idaho.

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PROCESS NARRATIVE (Continued)

For the Year Ended June 30, 2022

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 determines a no more than 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, 2022

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, 2022

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 9 applications that have been approved by EAC as of June 30, 2022. 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.

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SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND
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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, including a statement of dependency
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.

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SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND
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For the Year Ended June 30, 2022

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 9 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, 9 of the TRI’s were appropriately recommended by the Director. The Director’s recommendations were accepted and approved for all 9 of the applicants by the EAC during the fiscal year ended June 30, 2022.

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, 2022

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.

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SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND
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For the Year Ended June 30, 2022

Procedures:

1. Reviewed the EAC minutes to ensure that the TRI applications and recommendations 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, 2022, all EAC members have signed ethical responsibility statements. While these ethical responsibility statements were all signed, we recommend that a historical repository be maintained to store all signed statements.

One conflict of interest was identified by an EAC member during the fiscal year ended June 30, 2022, and this member appropriately recused them-self from voting on the project.

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SUMMARY OF PROCEDURES, DEPARTMENT POLICIES, EVALUATIONS AND
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For the Year Ended June 30, 2022

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, 2022. 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 9 approved TRI's as of June 30, 2022, 1 final agreement had been signed as the date of this report. Per our inquiry of the Department, all approved FY2022 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.

For FY2020, 9 of the 12 applicants had agreements that had not been signed as of June 30, 2020. As of June 30, 2022, 6 had yet to sign the agreements, and the other 6 had signed agreements.

For FY2021, 6 of the 14 applicants had agreements that had not been signed as of June 30, 2021. As of June 30, 2022, 3 had yet to sign the agreements, 3 were withdrawn from the program, and the other 8 had signed agreements.

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

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Procedure 5: Review and evaluate 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 tax 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 2021 Tax Year:

As of June 30, 2022, 46 annual reports were due from approved applicants with executed agreements, for the 2021 tax year for the Department to review and 28 reports had been received, and 18 had been extended. Of the 28 received, 10 provided narrative reports as they did not qualify in the current reporting period for a credit. 18 were full reports, and as of June 30, 2022, 18 tax credit authorization certificates had been issued for the 2022 Fiscal 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.



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