

## **IDAPA 28 – DEPARTMENT OF COMMERCE**

### **28.04.01 – Rules Governing the Idaho Reimbursement Incentive Act**

#### **Who does this rule apply to?**

*Existing business entities located in Idaho seeking to expand their companies within the state of Idaho, and business entities, new to Idaho, seeking to relocate to, or expand in, the state of Idaho.*

#### **What is the purpose of this rule?**

*The TRI is designed to accelerate the growth of new business opportunities, encourage the creation of high-paying jobs, and diversify the state's econ.*

#### **What is the legal authority for the agency to promulgate this rule?**

*This rule implements the following statutes passed by the Idaho Legislature:*

State Government and State Affairs -  
Department of Commerce:

- [Section 67-4744, Idaho Code](#) – Director Rulemaking Authority

#### **Who do I contact for more information on this rule?**

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## 28.04.01 – RULES GOVERNING THE IDAHO REIMBURSEMENT INCENTIVE ACT

### 000. LEGAL AUTHORITY.

These rules are promulgated under the legal authority of Section 67-4744, Idaho Code. (3-31-22)

### 001. SCOPE.

These rules implement the Idaho Reimbursement Act, including application and pre-application process, formation of incentive agreements with the business entity, reimbursement to the business entity through an earned tax credit, annual reporting procedure. (3-31-22)

### 003. ADMINISTRATIVE APPEALS.

The award of a credit under the Tax Reimbursement Incentive Act is made at the recommendation of the Director of the Department of Commerce and approval of the Economic Advisory Council (Council). In light of the negotiated nature of awarding the Tax Reimbursement Incentive (TRI), there is no administrative appeal under these rules. Nothing in this section prohibits an aggrieved applicant from seeking judicial review as provided in Chapter 52, Title 67, Idaho Code. (3-31-22)

### 004. -- 099. (RESERVED)

### 100. DEFINITIONS AND ABBREVIATIONS.

The following definitions apply: (3-31-22)

**01. Incentive Agreement.** A reimbursement contract between the Department and the business entity which details any instruction provided by the Council in addition to the requirements detailed in Chapter 47, Title 67, Section 4740, Idaho Code. Also referred to as an Agreement. (3-31-22)

**02. Pre-Application.** A form, paper or electronic, that is completed by the business entity or on behalf of the business entity by an authorized economic development or local government representative when details about the Meaningful Project are not fully known. A pre-application necessitates that an application is completed by the business entity or its authorized representative at a later time, and prior to award of a tax credit. (3-31-22)

**03. Tax Reimbursement Incentive Act (TRI).** A performance based tax reimbursement mechanism available to existing Idaho businesses and new businesses creating jobs in Idaho. Also known as the Idaho Reimbursement Incentive Act. (3-31-22)

### 101. -- 129. (RESERVED)

### 130. PROGRAM INTENT.

The TRI is designed to accelerate the growth of new business opportunities, encourage the creation of high-paying jobs, and diversify the state's economy. The Tax Reimbursement Incentive is a performance-based economic development tool that provides a refundable tax credit up to thirty percent (30%) for up to fifteen (15) years on new business entity income tax, sales tax, and payroll taxes paid as a result of meaningful project. The TRI will perpetually generate the revenues needed to fund the incentive. (3-31-22)

**01. Available Credit.** This credit is available to both existing and new companies seeking expansion in the state. The tax credit percentage and project term are negotiated based upon the quantity and quality of jobs created, state/regional economic impact and return on investment for Idaho, among others. The credit authorized must be the lowest approved percentage and term that will incentivize creation of new jobs and New State Revenue. (3-31-22)

**02. Evaluation and Recommendation.** Incentives will be evaluated and recommended to the Council by the Director, with final approval by the Council. The TRI will be governed by detailed incentive agreements between the Department and business entity. (3-31-22)

### 131. -- 149. (RESERVED)

### 150. ELIGIBILITY.

**01. Eligible Recipients.** Recipients of the TRI are limited to existing business entities located in Idaho seeking to expand their companies within the state of Idaho, and business entities, new to Idaho, seeking to relocate to, or expand in, the state of Idaho. (3-31-22)

**02. Eligible Projects.** An eligible project is an expansion of an existing business located in Idaho or the

creation of new business operations in Idaho that generate the minimum required new jobs based on rural or urban location. (3-31-22)

**151. JOB CREATION CRITERIA.**

**01. Rural Community.** The minimum new jobs required for a rural community is not less than twenty (20) over the term of the project. (3-31-22)

**02. Urban Community.** The minimum new jobs required for an urban community is not less than fifty (50) over the term of the project. (3-31-22)

**03. New Jobs.** New jobs must exceed the business entities' maximum number of full time jobs in Idaho during the twelve (12) months immediately preceding the date of the application. (3-31-22)

**04. Job Shift.** A job that shifts from one (1) location within the state of Idaho to another location within the state of Idaho is not considered a new job. (3-31-22)

**05. New Jobs Wages.** New jobs wages must equal or exceed the average annual county wage in the county where the jobs are located. The Department will annually publish the average county wage based on the most recent, non-preliminary information, obtained from the Idaho Department of Labor. (3-31-22)

**152. APPLICATION PROCESS.**

**01. Inquiry.** The business entity, or its authorized representative, may engage an authorized representative from the Department to complete an initial screening process. The screening process will assist the business entity in determining to proceed with a pre-application or application. Information necessary during screening includes general details about the Project, the number of full-time jobs, the number of new jobs, the minimum new jobs, the rural or urban area under consideration, the industry, the community contribution, as well as any other information requested to determine eligibility. The business entity, in consultation with the Department's representative, makes a determination to proceed with a pre-application or a full application depending on the project timeline, known project details or other factors associated with the project. (3-31-22)

**02. Pre-Application.** After the business entity's determination to proceed with a pre-application, the business entity, or its authorized representative, will be provided with a pre-application. A pre-application may be completed by the business entity or an authorized representative of the business entity, such as an economic development or local government representative. A pre-application must detail the following: (3-31-22)

**a.** A complete description of the proposed project and the estimated economic benefit that will accrue to the state as a result of the project; (3-31-22)

**b.** A statement of dependency explaining whether the project will occur or how it will be altered if the application is denied by the council; (3-31-22)

**c.** A letter from the city or county, or both, expressing a commitment to supply community contribution; (3-31-22)

**d.** Detailed description of the proposed capital investment; (3-31-22)

**e.** 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 (3-31-22)

**f.** Detailed description of the estimated new state tax revenues by tax to be generated by the project. (3-31-22)

**03. Pre-Application Estimate Letter.** Upon review and acceptance of a pre-application, the Director may issue an estimate letter to the business entity or its authorized representative, or both, which describes the

estimated amount of the tax credit, the term of the tax credit, and any other contingencies determined necessary by the Department. This letter is not a binding commitment but an estimate based on the initial information supplied in the pre-application. (3-31-22)

**04. Application.** After the business entity's determination to proceed with an application, the business entity will be given access to the application, which must include, but not be limited to, the following information: (3-31-22)

**a.** A complete description of the proposed project and the estimated economic benefit that will accrue to the state as a result of the project; (3-31-22)

**b.** An affidavit of criticality explaining that without the TRI incentive, the business entity would be forced to alter its project or not choose Idaho; (3-31-22)

**c.** A letter from the city or county, or both, describing their commitment to supply community contribution, a specific description of the contribution, and the amount of the contribution; (3-31-22)

**d.** Business entities currently doing business in Idaho will supply a letter from the Idaho State Tax commission confirming that the business entity 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; (3-31-22)

**e.** An estimate of Idaho goods and services to be consumed or purchased by the business entity during the term; (3-31-22)

**f.** Known or expected detriments to the environment or existing industries in the state; (3-31-22)

**g.** An anticipated project inception date and proposed schedule of progress; (3-31-22)

**h.** Any proposed performance requirements and measurements that must be met prior to issuance of the tax credit; (3-31-22)

**i.** A description of any proposed capital investment; (3-31-22)

**j.** A detailed schedule and description of the projected jobs to be created, the projected wages to be paid for those jobs, and the anticipated hiring schedule for those jobs; and (3-31-22)

**k.** The estimated new state tax revenues to be generated by the project. (3-31-22)

**05. Application Recommendation Letter.** Upon review of an application, the Director may issue a letter that details the Director's anticipated recommendation to the Council. The letter may include the percentage of the tax credit, the term of the tax credit, and any other contingencies determined necessary by the Department. All application recommendation letters must contain a "subject to Economic Advisory Council approval" contingency clause. (3-31-22)

**06. Technical Review - Pre-Application.** The Director and Department staff will complete a technical review of each pre-application. Upon satisfaction that all pre-application requirements are met, the Director may issue an estimate letter. (3-31-22)

**07. Technical Review - Application.** The Director of the Department and Department staff will complete a technical review and economic impact analysis of each application. The technical review will consider many economic factors and external information sources such as, but not limited to, the region, industry, financial health and history of the business entity, as well as the quality, quantity and economic impact of new jobs and new state revenue. Upon satisfaction that all application requirements are met, the Director may submit a recommendation for award to the Council. (3-31-22)

**08. Economic Advisory Council.** The Council reviews the application and the Director recommendations. Following review the council has the following three (3) options: (3-31-22)

- a. Request additional information or action from the Director in order to obtain necessary information to approve or reject the application; or (3-31-22)
- b. Approve the application and instruct the Director to enter into an incentive agreement with the business entity; or (3-31-22)
- c. Reject the application. (3-31-22)
- d. An approval or rejection from the council is not considered a contested case pursuant to Chapter 52, Title 67, Idaho Code, provided, however, that nothing in this section prohibits an aggrieved applicant from seeking judicial review as provided in Chapter 52, Title 67, Idaho Code. (3-31-22)

**09. Pre-Application Schedule.** The pre-application is open year round. Review of pre-applications are subject to the meeting schedule of Department staff. (3-31-22)

**10. Application Schedule.** The application is open year round. Review of applications is subject to the meeting schedule of Department Staff and the Council. The Council will meet no less than quarterly and has the ability to meet more often at the request of the Director. (3-31-22)

**153. -- 159. (RESERVED)**

**160. CONFLICT OF INTEREST.**

Conflict of Interest is defined by Idaho's Office of the Attorney General as any official action or any decision or recommendation by a person acting in a capacity as a public official, the effect of which would be to the private pecuniary benefit of the person or member of the person's household, or a business with which the person or a member of the person's household is associated. In the event Department staff, including the Director has a conflict of interest regarding an application, the conflict must be fully disclosed to the Director and the Council, and that person must abstain from decision making or evaluation of the application. In the event a Council member has a conflict of interest regarding an application, the Council member must fully disclose such conflict to the Director and the Council, and that Council member must abstain from discussing or voting on the application. (3-31-22)

**161. -- 169. (RESERVED)**

**170. AGREEMENTS.**

**01. Incentive Agreement.** At the direction of the Council, and in accordance with the criteria established by these rules, the Director enters into an incentive agreement with the business entity. (3-31-22)

**02. Agreement Terms Defined.** The incentive agreement contains any terms as approved by the Council, or deemed necessary by the state Deputy Attorney General, as well as defines the following: (3-31-22)

- a. Maximum term that is not to exceed fifteen (15) years; (3-31-22)
- b. Projected new state revenues to be generated during the term; (3-31-22)
- c. Method and recordkeeping requirements to determine projected new state revenue to be generated; (3-31-22)
- d. The approved tax credit percentage applied to new state revenue each year the business entity is entitled to receive the reimbursement during the term of the meaningful project; (3-31-22)
- e. The projected new jobs; (3-31-22)
- f. The terms and conditions of any and all performance requirements and measurements that must be met prior to the issuance of a tax credit authorization; (3-31-22)

- g.** The agreed upon and necessary proof of compliance required prior to tax credit issuance. Proof of compliance provided by the business entity must be adequate to demonstrate to the director that all requirements and measurements have been met for the business entity to receive the tax credit; (3-31-22)
- h.** The consequences of default by the business entity; (3-31-22)
- i.** The period to be used to determine the taxes paid at the date of application; (3-31-22)
- j.** Identification of any individual or entity included within the application that is entitled to a rebate pursuant to section 63-3641, Idaho Code, or is required to obtain a separate seller's permit pursuant to Chapter 36, Title 63, Idaho Code. (3-31-22)
- k.** The federal employer identification or social security number for each individual or entity stated as the business entity in the incentive agreement; and (3-31-22)
- l.** Identification of the individual or entity that is or will be claiming the refundable credit. (3-31-22)

**171. -- 179. (RESERVED)**

**180. TAX CREDIT AUTHORIZATION.**

- 01. Claiming Tax Credit.** No business entity may claim a tax credit unless the business entity has a tax credit authorization issued by the Department. A business entity may claim a tax credit on its tax return, in the amount listed on the tax credit authorization for the year listed on the tax credit authorization. (3-31-22)
- 02. Duplicate Copy.** The Department must provide a duplicate copy of any tax credit authorization to the Tax Commission. (3-31-22)

**181. -- 189. (RESERVED)**

**190. ANNUAL REPORTING BY APPLICANT.**

Required Annual reporting must be outlined in the incentive agreement and will include, but not be limited to, the following: (3-31-22)

- 01. New State Revenues.** Supporting documentation of the new state revenues from the business entity's new project that were paid during the preceding calendar year. (3-31-22)
- 02. New Jobs Created.** Supporting documentation of the new jobs that were created during the preceding tax year and the corresponding payroll information associated with the new jobs. (3-31-22)
- 03. Known or Expected Detriments.** Known or expected detriments to the environment or existing industries in the state. (3-31-22)
- 04. Authorization Document.** A document that expressly directs and authorizes the Tax Commission and Department of Labor to allow the Department access to the business entity's returns, filings and other information that may be necessary to verify or otherwise confirm the declared new state revenues, the new jobs and the associated payroll information. (3-31-22)
- 05. Tax Commission Letter.** A letter from the Idaho State Tax Commission confirming that the business entity 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. (3-31-22)
- 06. Other Entitle to Rebate.** 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. (3-31-22)
- 07. Supporting Documentation.** Supporting documentation that the business entity has satisfied the

measurements and requirements outlined in the incentive agreement. (3-31-22)

**191. ANNUAL REPORTING BY DEPARTMENT.**

The Department must create an annual written report for the Governor and the Legislature describing the following: (3-31-22)

**01. Successes.** The Department's success under this act in attracting new jobs; (3-31-22)

**02. Estimated Tax Credit Commitments.** The estimated amount of tax credit commitments made by the Department and the period of time over which tax credits will be paid; (3-31-22)

**03. Economic Impact to State.** The economic impact to the state related to generating new state revenue and providing tax credits under this act; (3-31-22)

**04. Estimated Costs and Benefits.** The estimated costs and economic benefits of the tax credit commitments that the Department made; and (3-31-22)

**05. Actual Costs and Benefits.** The actual costs and economic benefits of the tax credit commitments the Department made. (3-31-22)

**06. Submittal of Report.** The report must be submitted to the Office of the Governor and the appropriate legislative committee chairmen in a timely manner following the close of the state's fiscal year. (3-31-22)

**192. -- 199. (RESERVED)**

**200. AUDIT.**

The Department must arrange for an independent third-party audit annually pursuant to Chapter 47, Title 67, Idaho Code. The Department must consider any audit recommendations provided during the audit and implement changes as necessary as a result of those recommendations. (3-31-22)

**201. -- 209. (RESERVED)**

**210. CONTINUATION OF TAX CREDIT.**

The Department will review the business entity's annual report. Provided the business entity provides a reasonable justification for authorizing or continuing a tax credit, the Department determines the amount of the tax credit to be granted, issue a tax credit authorization to the business entity, and provide a duplicate copy of the tax credit authorization to the Tax Commission. The amount of the tax credit to be continued must be in accordance with the credit percentages specified in the incentive agreement. The TRI will not be extended beyond the term and length specified in the incentive agreement. (3-31-22)

**211. TERMINATION OR SUSPENSION OF TAX CREDIT.**

During the term of the project for each business entity, the Department will review the business entity's annual report. If the information provided is inadequate or inaccurate to provide a reasonable justification for authorizing or continuing a tax credit, the Department may: (3-31-22)

**01. Denial of Tax Credit.** Deny the tax credit for that tax year; or (3-31-22)

**02. Termination of Agreement.** Terminate the incentive agreement for failure to meet the performance standards established in accordance with the terms outlined in the incentive agreement; or (3-31-22)

**03. Request for Additional Documentation.** Request the business entity to submit additional documentation. (3-31-22)

**212. -- 999. (RESERVED)**