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Director

Legislative Services Office

Idaho State Legislature

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MEMORANDUM

TO: Rules Review Subcommittee of the Senate Commerce & Human Resources Committee and the House Commerce & Human Resources Committee

FROM: Division Manager - Mike Nugent

DATE: September 30, 2014

SUBJECT: Department of Commerce

IDAPA 28.04.01 - Rules Pertaining To The Rules Governing the Idaho Reimbursement Incentive Act (New Chapter) - Proposed Rule (Docket No. 28-0401-1402)

In 2014, the Legislature enacted House Bill No. 546, as Amended in the Senate, known as the "Idaho Reimbursement Incentive Act" which provided for reimbursement to businesses for job creation from certain tax dollars. HB 546aaS provided an economic development tool that provides a tax credit up to thirty percent for up to fifteen years on new corporate income tax, sales tax, and payroll taxes paid as a result of a new qualifying project. These credits and exemptions would be available to both existing and new companies seeking expansion in the state. The tax credit percentage and project term would be negotiated based upon the quality of jobs created, regional economic impact and return on investment for Idaho. All incentives are to be approved by the Idaho Economic Advisory Council and will be governed by detailed agreements between the state and incented companies. Information regarding all the corresponding tax credits and the economic impact will be reported annually to the Governor and Idaho State Legislature, and the commitments will be publicly available on the Idaho Department of Commerce website.

These proposed rules take the place of temporary rules that were promulgated in July. The proposed rules were not the product of negotiated rulemaking but the Notice of Rulemaking indicates that the Department sought the input of parties throughout the state with specific information, knowledge, expertise and technical information about economic development and business expansion. The Department indicated that feedback was gathered from the Office of the Attorney General, the State Tax Commission, local economic development professionals, site selectors, corporate decision makers and corporate legal counsels.

It appears that the proposed rules have been promulgated within the scope of statutory authority granted to the Department of Commerce by the passage of HB 546aaS.

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