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## First annual TRI report shows promising returns

By: Benton Alexander Smith February 10, 2016 0



Gayle Manufacturing used a TRI to move its headquarters from California to Caldwell where it will create 70 new jobs . File photo by Teya Vitu.

The Idaho Department of Commerce will see a 422 percent return on the tax reimbursement incentive investments it made in 2015, according to a report presented to an Idaho Senate subcommittee Feb. 2.

The Legislature gave the Idaho Department of Commerce the power to use TRIs to encourage business expansion and relocation within the state. The program went into effect July 1, 2014 and the first fiscal year with the program in place ended June 30, 2015.

The Legislature required that an annual report of the TRI program's effectiveness be prepared by a third party. This year it was created by the Meridian tax firm Harris and Co. Senators were pleasantly surprised by the program's success, which includes 694

new jobs. That number will climb to 3,228 once all 2015 projects are fully developed.

"This is exciting to me," said Sen. Jim Patrick, R-Twin Falls. "They say we need to raise revenues. Well this is how you do it. Not by raising taxes, but by raising jobs."

A TRI is a tax credit the Department of Commerce can offer a business if it brings a certain number of new, high-paying jobs to an area. The credit can be worth up to 30 percent of a company's income, payroll and sales taxes for up to 15 years.

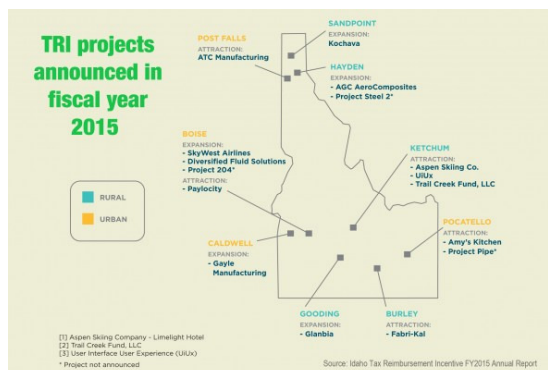
Within its first year, the TRI program attracted eight new companies to the state and encouraged eight existing Idaho companies to expand.

To qualify for a TRI, a company has to create at least 20 jobs in a rural area or 50 in an urban area. The average salary of the new jobs has to be higher than the county average where the company is building.

The value of the TRI depends on criteria such as the quality of the new jobs and the impact the industry will have on an area. A company is given a better TRI if it helps strengthen a critical industry or if it moves into an area that was hurt by the closing of another big company.

In 2015, Sandpoint-based Kochava received a TRI of 28 percent for 10 years after it decided to expand its operations following the bankruptcy and closure of Coldwater Creek. Similarly, Amy's Kitchen was awarded a TRI of 26 percent for 15 years after it chose to open an Idaho location in Pocatello, where the closing of the Heinz factory in 2014 left hundreds unemployed. The two businesses are expected to create 208 and 1,000 new jobs respectively.

The average TRI awarded in 2015 was 22 percent for nine years.



Map of the 16 projects approved in fiscal year 2015. Click image to view full report. Data courtesy of The Idaho Department of Commerce.

"We've been very judicious in making sure we are only offering the minimum incentive needed to get a business into the state," said Department of Commerce Director Megan Ronk.

Some businesses have criticized the TRI program for helping new companies but not smaller existing ones, and say it sets up unfair competition for employees and in wages. Owners of these companies feel the program doesn't do enough to help small businesses that want to grow and create new jobs, but aren't big enough to meet TRI minimum qualifications.

"The state is doing a great job bringing companies in, but what is keeping me in Idaho?" Dwayne Dayley, president of Rekluse Motor Sports in Boise, told the *Idaho Business Review* in December. He has suggested that the program be based on growth percentage instead of a fixed number.

"I have a project in the works that I have been putting off because I can't quite swing it yet," he said. "This would have been perfect for it, but my project will only bring on 10 employees."

Department of Commerce officials have said the credit should only apply to projects large enough to make a big difference in a community.

The 16 projects approved in 2015 are expected to create 3,228 new jobs and \$131 million in new tax revenue for the state, and a payroll of \$1.3 billion across the life of the deals. Idaho expects to receive \$4.22 for every \$1 provided in reimbursed taxes.

Since fiscal year 2015 ended, the number of approved TRI projects has increased to 25.

**ECONOMIC IMPACT TO THE STATE**

When fully implemented, the 16 TRI projects approved in FY15 would create a projected 3,228 new jobs in Idaho. These projects will generate approximately \$429 million in new capital investment, \$131 million in new tax revenue to the state General Fund and more importantly, will bring over \$1.3 billion in new payroll to the state.

Company/Project Name	Estimated Jobs	Estimated Wage	Total Project Payroll	Estimated State Tax Revenue[1]	Estimated Capital Investment[2]
AGC AeroComposites	134	\$33,500	\$24,000,000	\$2,500,000	\$2,000,000
Amy's Kitchen	1,000	\$33,000	\$342,000,000	\$30,000,000	\$76,000,000
Aspen Skiing Company	57	\$41,000	\$6,800,000	\$1,500,000	\$60,000,000
ATC Manufacturing, Inc.	225	\$44,000	\$76,000,000	\$6,300,000	\$25,000,000
Diversified Fluid Solutions, LLC	50	\$46,000	\$15,600,000	\$2,400,000	\$750,000
Fabri-Kal Corporation	150	\$37,900	\$27,000,000	\$3,300,000	\$50,000,000
Gayle Manufacturing Company	105	\$67,000	\$35,400,000	\$2,300,000	\$24,000,000
Glanbia, Plc	43	\$42,000	\$20,600,000	\$4,000,000	\$82,000,000
Kochava	208	\$59,000	\$102,000,000	\$14,200,000	\$1,500,000
Paylocity Holding Corporation	551	\$46,200	\$320,500,000	\$22,700,000	\$5,000,000
Project 204*	300	\$71,000	\$236,400,000	\$16,500,000	\$0
Project Pipe*	80	\$38,500	\$19,100,000	\$3,800,000	\$18,000,000
Project Steel 2*	28	\$41,000	\$7,700,000	\$1,600,000	\$6,000,000
SkyWest Airlines, Inc.	100	\$52,000	\$53,300,000	\$3,200,000	\$20,000,000
Trail Creek Fund, LLC	109	\$38,800	\$12,000,000	\$575,000	\$43,300,000
User Interface User Experience (UIUX)	88	\$60,600	\$19,400,000	\$16,400,000	\$15,000,000
<b>Total</b>	<b>3,228</b>	<b>\$44,796</b>	<b>\$1,317,800,000</b>	<b>\$131,200,000</b>	<b>\$428,550,000</b>

[1] Based on estimated corporate, payroll and sales and use tax information from company TRI applications  
 [2] Based on information provided by company in its TRI application  
 \*Project not announced  
 Source: Idaho Tax Reimbursement Incentive FY2015 Annual Report

Breakdown of the 16 TRI projects approved in fiscal year 2015. Click image to view full report. Data Courtesy of Idaho Department of Commerce.

**ABOUT BENTON ALEXANDER SMITH**



Benton Alexander Smith is a reporter for the Idaho Business Review, covering the Idaho Legislature, new business, technology and financial services.



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Phone: (208) 336-3768 Fax: (208) 336-5534

