

**PROPERTY TAX RULES COMMITTEE
AGENDA**

The Committee convenes on Thursday October 30, 2014, at **9:00 a.m.** at:

Idaho State Tax Commission
Room 1CR5 / Plaza IV / 800 Park Ave / Boise, Idaho

Welcome & Introductions

Committee Chair Alan Dornfest

Rules Discussion (Property Tax Rules)

Rule 626 – Property Exempt From Taxation – Certain Personal Property.

Rule 627 – Property Exempt From Taxation – Certain Personal Property –Taxpayer
Ownership Clarification.

Next meeting date:

Meeting adjourned

For more information, please contact the Committee Chair, or the Rules Coordinator at sherry.briscoe@tax.idaho.gov or at 208.334.7544. All agendas and rules related documents are posted on our website under the appropriate committee.

Oct 2014 changes included. All the changes noted in Subsection 03 are October changes and will be explained at the Rule Committee meeting to be held on October 30, 2014. All other noted changes have been previously approved by the Rules Committee. Draft proposed rule 626, version c dated October 23, 2014.

626. PROPERTY EXEMPT FROM TAXATION -- CERTAIN PERSONAL PROPERTY (RULE 626).

Sections 63-105(A), 63-201, 63-302, 63-308, 63-313, 63-602Y, and 63-602KK, Idaho Code.

01. Locally Assessed Property - Application Required. (3-20-14)

a. The taxpayer must file one (1) or more of the lists of taxable personal property as required by Section 63-302, Section 63-313, or Section 63-602Y, Idaho Code if the total market value of the property to be listed is greater than one hundred thousand dollars (\$100,000). The filing of said list(s) shall constitute the filing of an application for exemption. For purposes of reporting personal property, the value is to be based on market value, not book value. (3-20-14)

b. Taxpayers establishing initial eligibility for the exemption provided in Section 63-602KK(2), Idaho Code, may in lieu of a list, file only an application attesting to ownership of otherwise taxable personal property having a cost of one hundred thousand dollars (\$100,000) or less. In providing such cost, newly acquired personal property items acquired at a price of three thousand dollars (\$3,000) or less, that are exempt pursuant to Section 63-602KK(1), Idaho Code, shall not be included. The application must be filed no later than April 15th of the first year for which the exemption is claimed. (3-20-14)

~~c. In addition, for taxpayers with personal property with a total market value less than or equal to one hundred thousand dollars (\$100,000) in a single Idaho county, in every fifth year following the first year in which the exemption in section 63-602KK(2) is granted for any property, the taxpayer must file an application for the exemption to continue. The application must include certification by the taxpayer that the total market value of all otherwise taxable personal property is less than or equal to one hundred thousand dollars (\$100,000), and must be filed with the county assessor no later than April 15 of the appropriate year. (3-20-14)(1-1-14)T~~

02. Locally Assessed Property - Taxpayers' Election of Property Location.(3-20-14)

a. Multiple Locations Within A County. In cases where the taxpayer has personal property located in multiple places within the county, the taxpayer may elect the location of the property to which the exemption will apply by filing the "Idaho Personal Property Exemption Location Application Form" available from the State Tax Commission (Commission) for this purpose. To make the election for property required to otherwise be listed as provided in Section 63-302, Idaho Code, the form must be filed with the county assessor by April 15. For taxpayers with personal property required to be listed as provided in Sections 63-602Y and 63-313, Idaho Code, any application specifying the location of the property to which the exemption provided for in Section 63-602KK(2) will apply, must be filed by the dates specified for filing the lists required by these Sections. Should the taxpayer not make an election as to where to apply the exemption, the county shall have discretion regarding the property to which the exemption shall apply. However, to the extent possible and assuming the assessor is not aware of any changes in eligibility, the exemption will be first applied to the same property to which it applied in the

immediate prior year. (3-20-14)

b. Multiple locations in different counties. The one hundred thousand dollar (\$100,000) limit on the exemption applies to a taxpayer's otherwise taxable personal property within any county. If the taxpayer owns qualifying personal property in more than one county, the limit is one hundred thousand dollars (\$100,000) in market value per county. (3-20-14)

03. Centrally Assessed Property - Application Required. (3-20-14)

a. Except for private railcar fleets, the taxpayer ~~must~~ may file a list of personal property with the operator's statement filed pursuant to Rule 404 of these rules. The filing of such a list shall constitute the filing of an application for this exemption. Except as provided in Subsections 626.03. b and c. of this rule, for such personal property to be considered for the exemption, the operator's statement must include: ~~(3-20-14)(_____)~~

i. A description of the personal property, including any tax code area in which the personal property subject to assessment as situs property is located; (3-20-14)

ii. Cost and depreciated cost of the personal property; (3-20-14)

iii. The county in which the personal property is located, if the taxpayer wishes to receive the exemption on property located in more than one county. (3-20-14)

b. For private railcar fleets subject to assessment by the Commission, the filing of the annual operator's statement shall constitute application for this exemption. ~~and having an Idaho taxable market value of five hundred thousand dollars (\$500,000) or greater, the application procedure described in Subsection 626.03.a. of this rule shall apply. However, the requirements to show specific or county locations, found in Subsections 626.03.a.i. and 626.03.a.iii. shall not apply. Instead,~~ The Commission shall, after using apportionment procedures described in Rule 413 of these rules to apportion the market value of these fleets, allow an exemption of up to one hundred thousand dollars (\$100,000) to be applied to the apportioned market value within each county within which the railcar fleet operates. Provided that the ~~The~~ remaining taxable value is five hundred thousand dollars (\$500,000) or greater, this value and exempt market value is to be further apportioned to each taxing district and urban renewal revenue allocation area.

~~(3-20-14)(_____)~~

c. After subtraction of the personal property exemption calculated as provided in Subsection 626.03.b of this rule, for ~~For~~ private railcar fleets subject to assessment by the Commission, and having an Idaho taxable market value of less than five hundred thousand dollars (\$500,000), neither the final amount of the exemption nor the taxable value of the fleet shall be subject to apportionment. ~~the application procedure described in Subsection 626.03.a. of this rule shall apply. However, the property of such fleets is never apportioned to counties, so the exemption amount is limited to one hundred thousand dollars (\$100,000) per company, unless the company provides proof showing the multiple counties in which the personal property is located for the entire tax year, in which case the one hundred thousand dollar (\$100,000) limit shall apply per company per county.~~

~~(3-20-14)(_____)~~

d. When operating property companies have locally assessed property, any exemption pursuant to Section 63-602KK(2), Idaho Code must be applied to the locally assessed property first. In this case, the county assessor must notify the Commission of the value of the exemption granted. If such exemption is entered on the property roll, such notification must be made by the first Monday in August. After notice by the Commission of the amount of exemption granted to the centrally assessed property, the assessor may make adjustments to assessed values to be entered on any subsequent or missed property rolls to ensure that the exemption does not exceed \$100,000 (one hundred thousand dollars) for any taxpayer. (3-20-14)(_____)

04. Centrally Assessed Property - Taxpayers' Election of Property Location. Except for private rail car fleets having an Idaho taxable value of five hundred thousand dollars (\$500,000) or greater, to which the procedures in Subsection 626.03.b. of this rule shall apply, the taxpayer owning personal property located in multiple counties may indicate the county in which the property is located. Should the taxpayer not make an election as to where to apply the exemption, the exemption shall be limited to one hundred thousand dollars (\$100,000) applied to the Idaho value of the taxpayer prior to apportionment. (3-20-14)

05. Valuation Assessment Notice. The valuation assessment notice required by Section 63-308, Idaho Code, must show the taxable market value before granting the exemption provided in Section 63-602KK(2), Idaho Code, the exempt market value pursuant to the exemption provided in Section 63-602KK(2), Idaho Code, and the net taxable market value of the personal property. After the year of initial eligibility, if the net taxable market value is zero, no valuation assessment notice is required ~~until every fifth year following when the claimant must reapply.~~ (3-20-14)(1-1-14)T

06. ~~Tax Commission's Review and Correction of the Personal Property Tax Replacement Reduction Lists Amounts.~~ (3-20-14)(1-1-14)T

a. ~~If an entry on the personal property tax reduction list is found to be erroneous, the Commission shall disapprove as much of the claim as necessary and so notify the county clerk.~~ (3-20-14)

b. ~~If, after certifying the personal property tax reduction list, the county learns of any erroneous information included in said list, the county clerk will immediately, and not later than the fourth Monday in February, 2014, notify the Commission of the correction. If the county cancels the tax otherwise due, the county must notify the Commission of the cancellation, and the Commission will adjust the replacement money accordingly. In addition to any other errors, corrections may include market value and tax changes resulting from actions of the county board of equalization related to property listed and assessed as required in Sections 63-313 and 63-602Y, Idaho Code. Corrections may also include market value changes as a result of appeals to the state board of tax appeals or district court, provided however, that the Commission is notified by the county of such changes by the fourth Monday in February, 2014. Once notified of any correction, the Commission shall adjust the total certified personal property tax reduction amount for any applicable taxing district or urban renewal agency, and shall change any payment due to the county~~

~~in accordance with the correction.~~

~~(3-20-14)(1-1-14)T~~

~~e. If a disapproval occurs after the Commission has certified the amount to be paid to the county in December, the Commission shall notify the county as soon as practicable and shall make all necessary adjustments in the amount to be paid in June of 2014. (3-20-14)(1-1-14)T~~

~~d. If, subsequent to finalization of the amount of replacement money to be paid to any county, an amount paid on behalf of any taxpayer is disapproved by the county, the county shall so notify the Commission, which the amount of the disapproval exceeds the amount remaining to be paid to the county, the Commission shall adjust the payment to the county, and then t The county shall may begin proceedings to recover any remaining excessive amounts paid on behalf of any taxpayer, pursuant to the recovery procedures found in Section 63-602KK(7), Idaho Code. Any amount so recovered shall be remitted to the Commission. (3-20-14)(1-1-14)T~~

~~e. Corrections may also be made to account for additional amounts of exemptions granted provided the Commission is so notified not later than January 30, 2014. Such additional amounts may be related to exemptions granted for transient personal property, or for other personal property listed on the subsequent or missed assessment rolls and shall be subject to review by the Commission. (3-20-14)(1-1-14)T~~

07. Limitation on Eligibility for the Exemption.

(3-20-14)

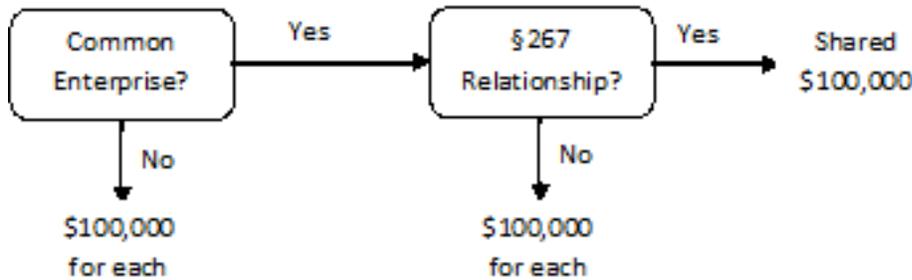
a. Except for taxpayers claiming and receiving the exemption provided for in Section 63-4502, Idaho Code, taxpayers receiving the personal property exemption provided in Section 63-602KK, Idaho Code, may be eligible for, and are not precluded from, other applicable exemptions. (3-20-14)

b. Personal property exempt in accordance with statutes other than Section 63-602KK, Idaho Code, shall not be included in determining when the one hundred thousand dollar (\$100,000) limit provided in Section 63-602KK(2) is reached. (3-20-14)

c. Taxpayers with requirements to annually apply for, or list personal property for, which other statutorily provided personal property exemptions are sought, must continue to comply with the requirements of these statutes. (3-20-14)

d. Improvements, as defined or described in Sections 63-201 and 63-309, Idaho Code, shall not be eligible for the exemption provided in Section 63-602KK. Improvements shall be deemed to include mobile and manufactured homes and float homes, regardless of whether such property is considered personal property. Leasehold real properties and other leasehold improvements that are structures or buildings shall be considered improvements, and therefore ineligible for the exemption. Structures, such as cell towers, are improvements and therefore are not personal property eligible for the exemption. (3-20-14)

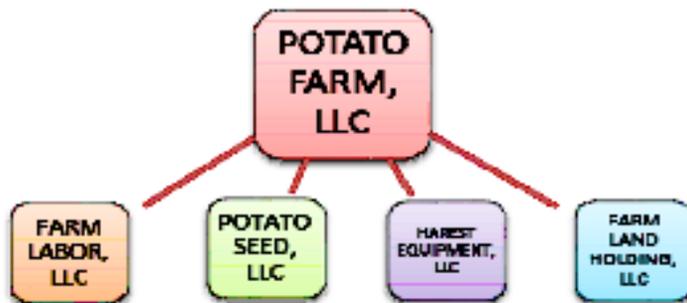
08. Illustrations of Eligibility Situations Related to Common Enterprise and Related Ownerships. If the taxpayer owns more than one (1) business within one (1) county, he may be entitled to more than one (1) one hundred thousand dollar (\$100,000) exemption within the county. For purposes of this exemption, a taxpayer includes two or more individuals or organizations using the property in a common enterprise, and the individuals or organizations are within a relationship described in Section 267 of the Internal Revenue Code. This is illustrated in the following chart:



(3-20-14)()

a. First, an analysis must be made to determine if a common enterprise exists. If entities or individuals are organized to manage a common scheme of business, they would be in common enterprise. (3-20-14)

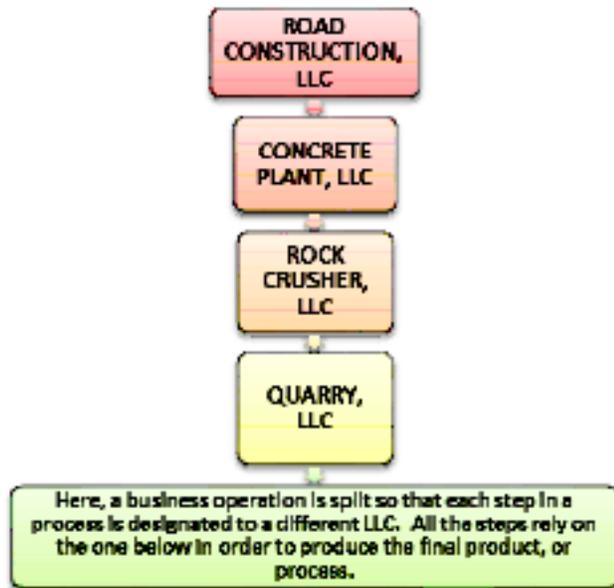
i. Horizontal Commonality is explained by the following chart:



Here, the usual functions involved in a working potato farm are split between several LLCs, all of which own the property involved with the functions they perform. The operation of the business is no different than if all the functions were combined in just Potato Farm, LLC

(3-20-14)()

ii. Vertical Commonality is explained by the following chart:



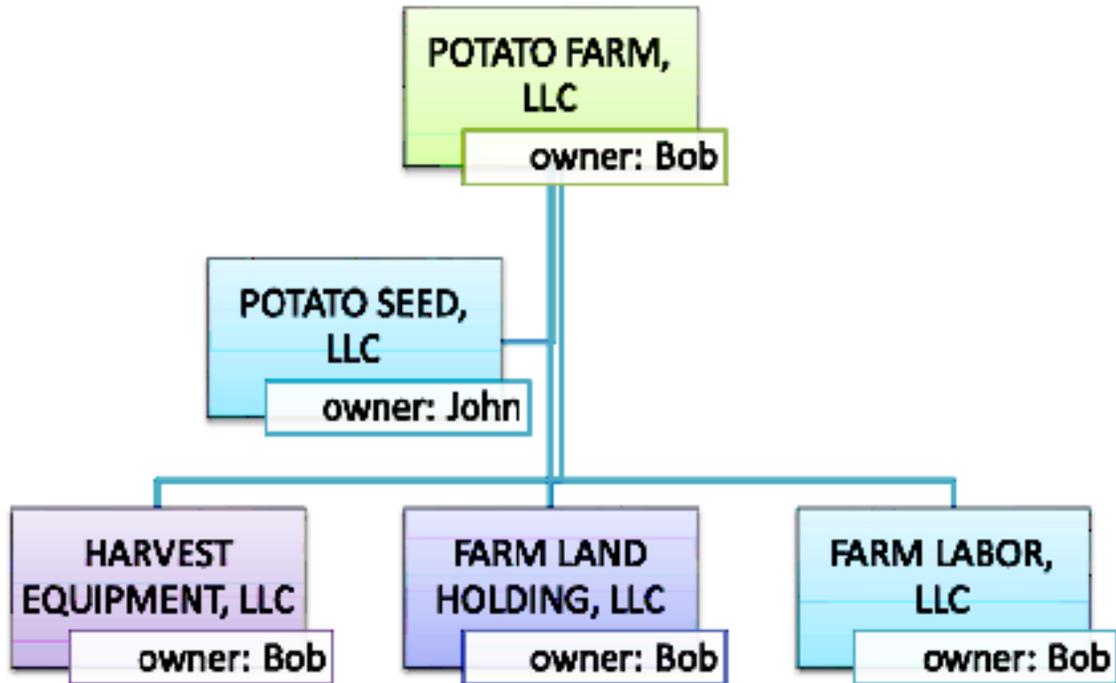
(3-20-14)(_____)

~~b. Second, an analysis would be made to determine whether the ownership between the entities are within the relationships identified in Section 267 of the Internal Revenue Code. If such a relationship is found to exist, the entities or individuals would be considered one (1) taxpayer for purposes of this exemption. (3-20-14)(_____)~~

~~e. Ownership alone does not determine whether entities are considered one taxpayer for purposes of this exemption. Two (2) businesses can have identical ownership, and each receive the exemption, providing they do not operate as a common enterprise. In addition, entities in a common enterprise can receive separate exemptions, providing that their ownership does not consist of a relationship identified in Section 267 of the Internal Revenue Code.(3-20-14)(_____)~~

~~d. The following examples are given to illustrate eligibility situations related to common enterprise and related ownerships: (3-20-14)(_____)~~

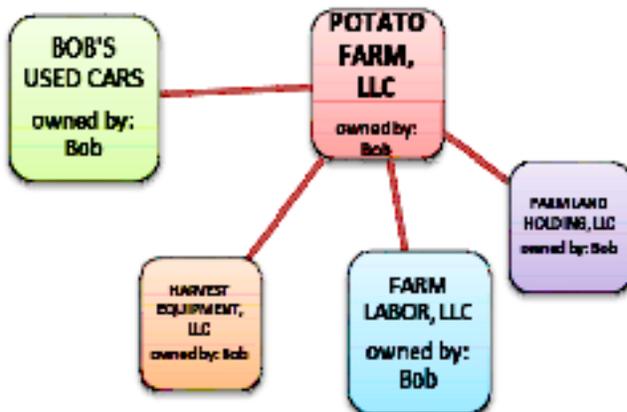
~~i. Example 1. This is an example of common enterprise, but being entitled to two (2) exemptions because the owners are not related in a manner as described in Section 267 of the Internal Revenue Code.~~



So long as Bob and John are not related in a manner identified in IRC 267, two exemptions exist. One for Potato Seed, LLC. The other for all of Bob's businesses, because they are in a common enterprise and all owned by him.

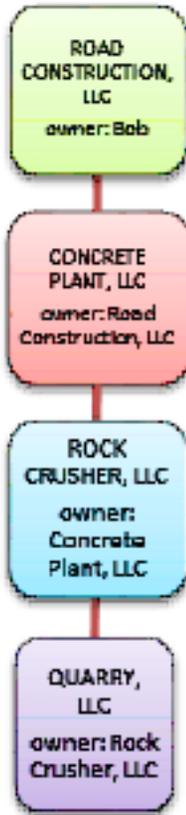
(3-20-14)()

ii. Example 2. This is an example of the same owner with multiple businesses not all united in a common enterprise. Bob's farm businesses are common enterprises, and therefore entitled to only one (1) exemption for all the farm businesses. Bob's used car business is not involved with Bob's farm businesses, so Bob is entitled to an additional exemption related to his used car business.



(3-20-14)()

iii. ~~Example 3. This is an example of multiple businesses being entitled to only one (1) exemption because common enterprise exists.~~



Here, one exemption exists for all of the entities because they are in a common enterprise, due to their vertical commonality, and are all constructively owned by Bob, pursuant to IRC 267.

~~(3-20-14)()~~

iv. ~~Example 4. This is an example showing how owners of common enterprises may intersect.~~



~~This is an example of how common enterprises can intersect with one another. The companies Bob owns completely receive one exemption; John's companies also receive one exemption, including Rock Crusher, LLC, because John's ownership interest in that company falls within IRC 267.~~

~~(3-20-14)(_____)~~

~~e. In cases of partial ownership as noted in example four wherein Bob owns ten percent (10%) and Dump Trucks, LLC owns ninety percent (90%) only the majority owner is eligible to receive this exemption.~~

~~(3-20-14)(_____)~~

089. Special Rules for the Exemption Provided in Section 63-602KK(1), Idaho Code.

(3-20-14)(_____)

a. Newly acquired items of personal property, exempt as provided in Section 63-602KK(1), are not to be reported on any list otherwise required pursuant to Sections 63-302, 63-602Y, and 63-313, Idaho Code.

(3-20-14)

b. The exemption provided in Section 63-602KK(1), Idaho Code, is in addition to the one hundred thousand dollar (\$100,000) per taxpayer, per county exemption provided in Section 63-602KK(2), Idaho Code.

(3-20-14)

c. No application for the exemption provided in Section 63-602KK(1), Idaho Code, is

necessary. (3-20-14)

d. The requirement in Section 63-602KK(6) requiring the assessor to provide the application by no later than March 1, applies only to taxpayers who have an obligation to file any application. (3-20-14)

0910. Limitation on Replacement Money. (3-20-14)

a. ~~Once the 2013 amount of replacement money for each taxing district, and unit, and for each urban renewal district revenue allocation area is made final, following corrections as provided in this rule, there shall be no additions. In addition to replacement money reductions due to corrections as provided in section 06 of this rule, However, there may be changes and reductions as follow:~~ (3-20-14)(1-1-14)T

i. If a taxing district dissolves, the state will make no payment of the amount previously certified for that district, and when an urban renewal district revenue allocation area dissolves and is no longer receiving any allocation of property tax revenues, the state will discontinue payment of amounts previously certified for that revenue allocation area, beginning with the next scheduled distribution. (3-20-14)

ii. If taxing districts or revenue allocation areas within urban renewal districts are consolidated, the amounts of replacement money attributed to each original district or revenue allocation area shall be summed and, in the future, distributed to the consolidated taxing or urban renewal district. (3-20-14)

iii. No urban renewal district shall receive replacement money based on exempt personal property within any revenue allocation area (RAA) established on or after January 1, 2013, or within any area added to an existing RAA on or after January 1, 2013. (3-20-14)

iv. Any payment made to the Idaho Department of Education, as provided in Subsection 626.10-1 of this rule shall be discontinued if the state authorized plant facilities levy is not certified in any year. Certification in subsequent years shall not cause any resumption of this payment. (3-20-14)

b. ~~If otherwise eligible personal property is exempt in 2013 by reason of any property tax exemption other than the exemption found in Section 63-602KK(2), Idaho Code, † There shall be no personal property replacement money related to exempt taxes on this property nor shall the amount of replacement money be adjusted adjustment to replacement money if personal property not receiving the exemption found in Section 63-602KK(2), Idaho Code, if this personal property receives this e exemption in Section 63-602KK(2) in the future.~~ (3-20-14)(1-1-14)T

101. Special Provision For Replacement Money For State Authorized Plant Facilities Levy. The amount of replacement money calculated based on any 2013 state authorized plant facilities levy will be applied to the exempt personal property, in any school district within which this levy has been certified in 2013, and the amount of tax calculated will be billed to the Commission as part of the property tax reduction list. The Commission shall be remitted any

~~related funds~~ directly to the Idaho Department of Education for deposit to the Public School Cooperative Fund. ~~(3-20-14)(1-1-14)T~~

112. Special Provision For Exempt Personal Property Within Urban Renewal Revenue Allocation Areas (RAAs). When personal property subject to the exemption in Section 63-602KK(2), Idaho Code, is within an RAA, any adjustment shall first be to the increment value, and there shall be no adjustment to the base value of the RAA unless the remaining taxable market value of the parcel is less than the most current base value of the parcel. In that case, the base value shall be reduced. The amount to be subtracted is to be determined on a parcel by parcel basis in accordance with procedures found in Rule 804 of these rules. (3-20-14)

~~**123. Special Provision For No Reporting of Exempt Value.** Beginning in 2014, taxing district values submitted to the Commission as required in section 63-510, Idaho Code, shall not include or indicate the otherwise taxable value exempt pursuant to section 63-602KK(2), in addition to the net taxable value of each district. In the absence of a more current value of the exemption, the value of the exemption may be estimated based on the last known value determined in 2013 by the county assessor, or in the case of centrally assessed property, the Commission. The Commission will include this exempt value in the total taxable valuation reported to the Idaho State Board of Education and the Idaho Department of Education for each school district, as required in Section 63-1312, Idaho Code.~~ ~~(3-20-14)(1-1-14)T~~

134. Cross Reference. For information on transient personal property, see Rule 313 of these rules. ~~and f~~For information on the definition of personal property, see Rule 205 of these rules. For information on the definition of a taxpayer, see Rule 627 of these rules. ~~(3-20-14)(_____)~~

Terry Accordino's August 9, 2014 suggested changes to Rule 727

RULE 627

Section 01.

- This opening paragraph does not really explain where the \$100,000 exemption comes from. It starts off with the language, "Although taxpayers are limited to receiving one [exemption]...", but it doesn't refer to where this limitation is found. Also, starting a paragraph (not to mention a whole rule) with the word "Although" is probably not the best way to go. Perhaps a better way to begin this rule would be to introduce the topic. That was not needed when this rule was a part of Rule 626, but now that it is a stand-alone rule, I think the topic needs to be introduced again.
- Another issue that you may or may not want to cover in this section is the fact that this section mentions the amount of the 63-602KK(2) exemption. I thought that one of the reasons for splitting out this rule apart from the rest of Rule 626 was so that if the law changed the amount of the exemption, you wouldn't have to re-publish a really lengthy rule. The idea was that this rule would cover only the ownership rules which may or may not be modified by future law changes. However, if this rule refers to the \$100K number and the law were to change the exemption amount, then this rule would also have to be opened and adjusted.
- With the two points above as my areas of concern, may I suggest re-writing Section 01 to something like this:

Idaho Code Section 63-602KK(2) provides taxpayers with one exemption in each Idaho county in which they meet the ownership rules. Although taxpayers are limited to receiving one (1) ~~one hundred thousand dollar (\$100,000)~~ exemption per county, a taxpayer owning more than one (1) business within one (1) county may be entitled to more than one (1) ~~one hundred thousand dollar (\$100,000)~~ **Idaho Code Section 63-602KK(2)** exemption within the county.

Section 02.

- The first sentence in this paragraph refers to "this exemption" but it may not be clear as to what "this exemption" is referring to. I'm not sure if the opening sentence in Section 01 as I proposed above would be sufficient to cover this concern, but if not then perhaps you could start this section out like this:

For purposes of ~~this~~ **the Idaho Code Section 63-602KK(2)** exemption, a taxpayer includes two (2) or more individuals....

Section 02.d.i.

- The sentence describing Example 1 is okay, but may I suggest a small word change:
Example 1. This is an example of a common enterprise, ~~but being~~ **that is** entitled to two (2) exemptions because the owners are not related....

Section 02.d.iii.

- The sentence describing Example 3 is okay, but it's not complete. The \$100K exemption is limited if both a common enterprise and a common ownership exists. I think it would be helpful to add some language to this example:

Example 3. This is an example of multiple businesses being entitled to only one (1) exemption because a common enterprise exists and all the businesses are constructively owned in a manner identified in IRS 267.

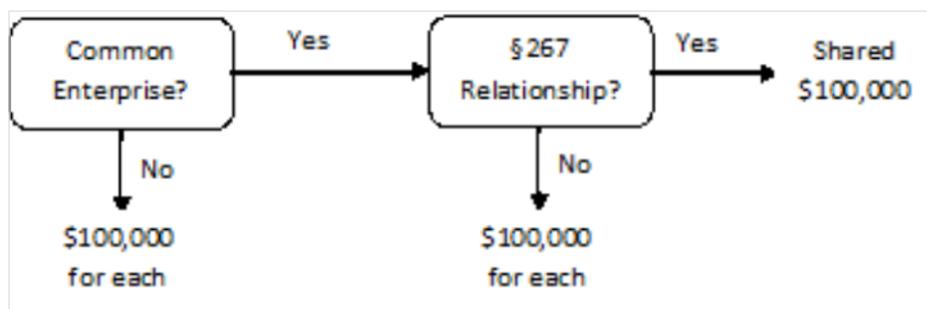
627. PROPERTY EXEMPT FROM TAXATION -- CERTAIN PERSONAL PROPERTY – TAXPAYER OWNERSHIP CLARIFICATION (RULE 627).

Section 63-602KK(2), Idaho Code. ()

01. Idaho Code Section 63-602KK(2) provides taxpayers with one exemption in each Idaho County in which they meet the ownership rules. Although taxpayers are limited to receiving one (1) ~~one-hundred thousand dollar (\$100,000)~~ exemption per county, a taxpayer owning more than one (1) business within one (1) county may be entitled to more than one (1) ~~one-hundred thousand dollar (\$100,000)~~ Idaho Code Section 63-602KK(2) exemption within the county. ()

02. Illustration of Common Enterprise and IRS Section 267 Restriction

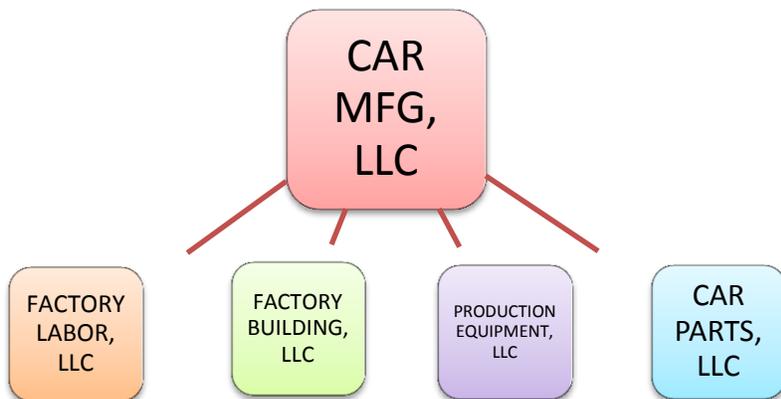
For purposes of ~~this~~ **the Idaho Code Section 63-602KK(2)** exemption, a taxpayer includes two or more individuals or organizations using the property in a common enterprise, and the individuals or organizations are within a relationship described in Section 267 of the Internal Revenue Code. This is illustrated in the following chart: ()



()

a. First, an analysis must be made to determine if a common enterprise exists. If entities or individuals are organized to manage a common scheme of business, they would be in a common enterprise. ()

i. Horizontal Commonality is demonstrated by the following chart: ()

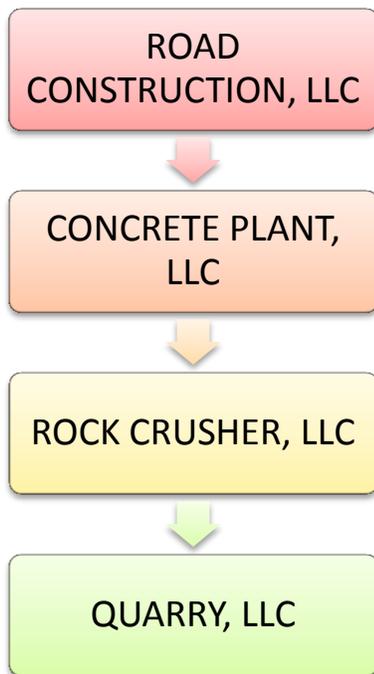


Here, the usual functions involved in a working car manufacturing company are split between several LLCs, all of which own the property involved with the functions they perform. The operation of the business is no different than if all the functions were combined in just Car Manufacturing, LLC

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ii. Vertical Commonality is demonstrated by the following chart:

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Here, a business operation is split so that each step in a process is designated to a different LLC. All the steps rely on the one below in order to produce the final product, or process.

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b. Second, an analysis would be made to determine whether the ownership between the entities are within the relationships identified in Section 267 of the Internal Revenue Code. If such a relationship is found to exist, **and the businesses are in a common enterprise, then the entities or individuals would be considered one (1) taxpayer for purposes of this exemption.**

()

c. Ownership alone does not determine whether entities are considered one taxpayer for purposes of this exemption. Two (2) businesses can have identical ownership, and each receive the exemption, providing they do not operate as a common enterprise. In addition, entities in a common enterprise can receive separate exemptions, providing that their ownership does not consist of a relationship identified in Section 267 of the Internal Revenue Code.

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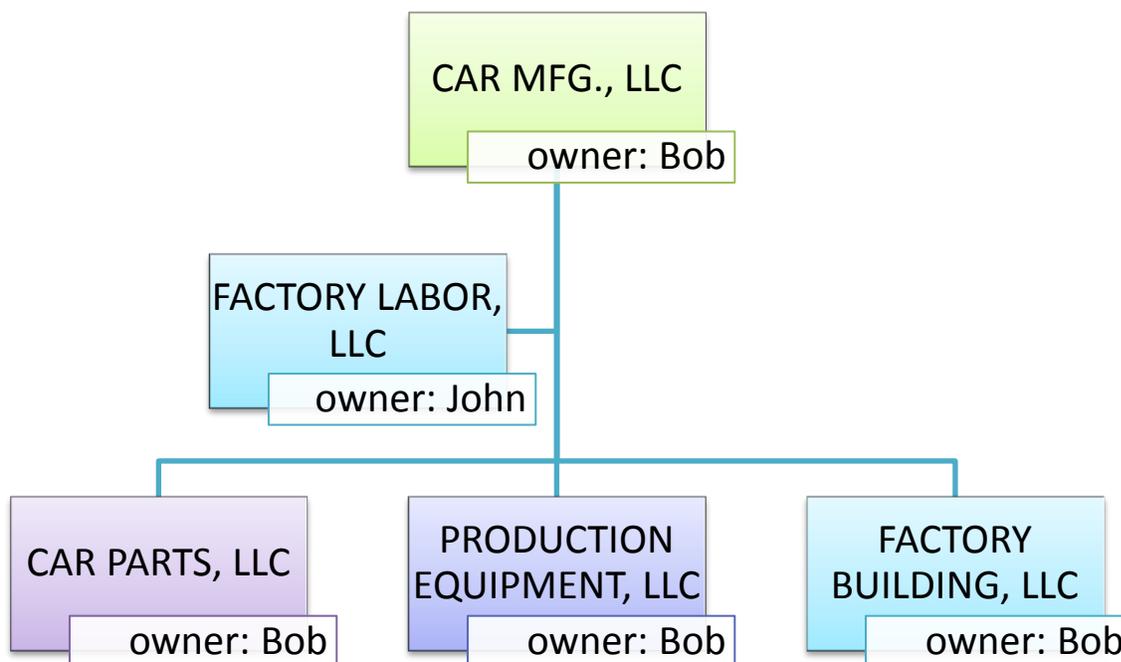
d. The following examples are given to illustrate eligibility situations related to common enterprise and related ownerships:

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i. Example 1. This is an example of **a common enterprise, but being that is** entitled to two (2) exemptions because the owners are not related in a manner as described in

Section 267 of the Internal Revenue Code.

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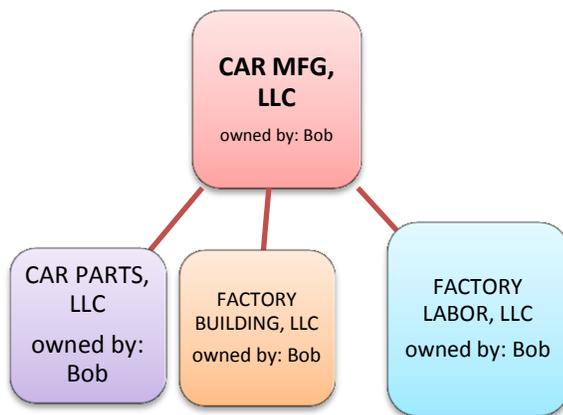


So long as Bob and John are not related in a manner identified in IRC 267, two exemptions exist. One for Car Manufacturing, LLC. The other for all of Bob's businesses, because they are in a common enterprise and **are** all owned by him.

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ii. Example 2. This is an example of the same owner with multiple businesses not all united in a common enterprise. Bob's car businesses are common enterprises, and therefore entitled to only one (1) exemption for all the car businesses. Bob's used furniture business is not involved with Bob's car businesses, so Bob is entitled to an additional exemption related to his used car business.

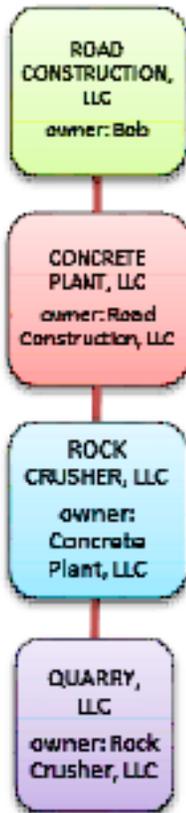
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BOB'S USED
FURNITURE
Owner: Bob

..... ()

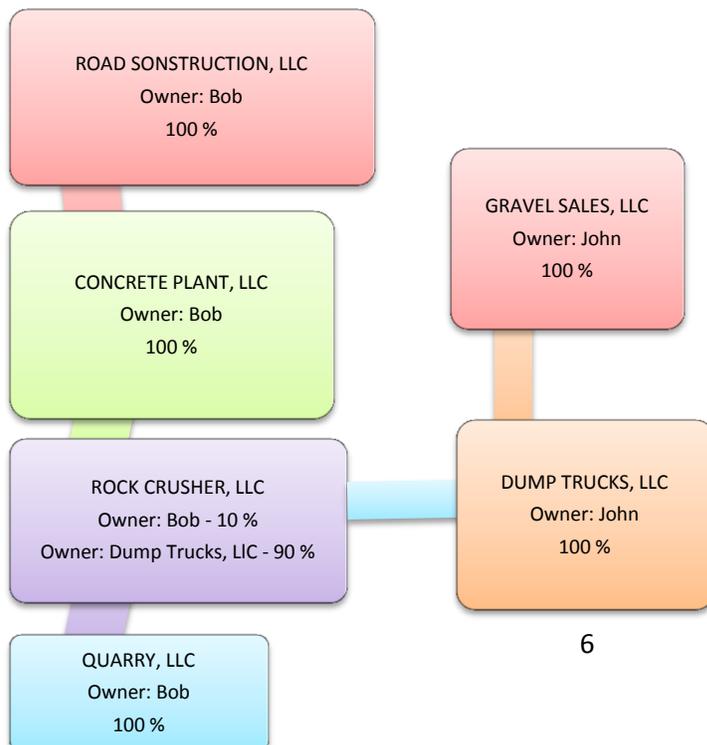
iii. Example 3. This is an example of multiple businesses being entitled to only one (1) exemption because a common enterprise exists and all the businesses are constructively owned in a manner identified in IRS 267. ()



Here, one exemption exists for all of the entities because they are in a common enterprise, due to their vertical commonality, and are all constructively owned by Bob, pursuant to IRC 267.

()

iv. Example 4. This is an example showing how owners of common enterprises may intersect.



This is an example of how common enterprises can intersect with one another. The companies Bob owns completely receive one exemption; John’s companies also receive one exemption, including Rock Crusher, LLC, because John’s ownership interest in that company falls within IRC 267.

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e. In cases of partial ownership as noted in example four wherein Bob owns ten percent (10%) and Dump Trucks, LLC owns ninety percent (90%) only the majority owner is eligible to receive this exemption.

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03. Cross Reference. For information on applying for the exemption provided in Section 63-602KK(2), Idaho Code, see Rule 626 of these rules.

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