

Utah Governor's Office of Energy Development 2020 AGREED-UPON PROCEDURES GUIDE

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Subject: High Cost Infrastructure Development Tax Credit Act

Resources: *Utah Code 63M-4-601 through 606;*
Utah Administrative Rule R362

Standards: *AICPA Statements on Standards for Attestation Engagements (AT-C);*
GAO Government Auditing Standards (GAS)

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Effective Date: **Periods Ending on or after June 30, 2020**

This Guide is prepared to assist independent public accountants in planning, performing, and reporting on procedures established by the Utah Governor's Office of Energy Development. The independent public accountant obtains evidence from applying agreed-upon procedures to provide reasonable basis for the findings expressed in its report. This Guide includes but does not embrace all performance standards applicable to independent public accountants.

The agreed-upon procedures engagement is to be conducted in accordance with U.S. Government Accountability Office Government Auditing Standards, 2018 Revision, and AICPA Statements on Standards for Attestation Engagements (SSAE) Number 19, AT-C section 215, Agreed-Upon Procedures Engagements, issued December 2019. SSAE-19 supersedes SSAE-18 (AT-C section 215) of the same name.

1. BACKGROUND

Utah offers a suite of tax credits for commercial projects that span significant infrastructure projects, as well as renewable energy, oil and gas, and alternative energy installations.

The High Cost Infrastructure Tax Credit Act encourages significant infrastructure investments in the state, supporting the cost-effective and sustainable delivery of Utah's commodities to domestic and global markets.

Tax credits may be granted to businesses whose Utah-based projects meet the following requirements:

- Expand or create new industrial, mining, manufacturing, or agricultural activity
- Are composed of at least 10 percent (or \$10,000,000) of infrastructure costs
- Generate new state revenues that are directly attributable to new infrastructure construction costs

Qualifying new investments in infrastructure may include:

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- Energy delivery systems
- Water delivery systems
- Road improvements
- Pipelines
- Electric transmission, railroads, and other linear infrastructure
- Tier 3 fuel projects at Utah refineries

Qualifying infrastructure construction costs that are certified by the Utah Governor's Office of Energy Development (OED) and approved by the Utah Energy Infrastructure Authority Board will generally receive a post-performance, non-refundable tax credit of 30 percent of qualifying infrastructure-related state revenue generated during a qualifying tax period. The total tax credit authorized for a project can be 50 percent of the infrastructure construction costs or, if the high cost infrastructure project is a fuel standard compliance project, can be up to 30 percent of the infrastructure construction costs.

For each tax credit period, the infrastructure cost-burdened entity (Entity) applies for a tax credit certificate from the OED. If eligible, a tax credit certificate is issued to the Entity who may then claim a tax credit as provided by *Utah Code* 63M-4-601 through 606 and related rules. Tax credits authorized by OED are used as follows:

- For an Entity taxed as a C corporation, to offset the Entity's Utah state corporate income tax liability.
- For an Entity reporting as a pass-through entity (partnerships, limited liability companies, S corporations, trusts, and estates), the tax credit is passed through to the pass-through entity taxpayers and claimed on the ultimate pass-through entity taxpayers' income tax returns.

Unused tax credits can be carried forward for a period that does not exceed seven taxable years (refer to *Utah Code* 59-7-619 and 59-10-1034).

Infrastructure-related state revenue is the amount of state tax revenue generated in a tax credit period by the Entity creating a high cost infrastructure project (Project) that is directly attributable to the Project, including:

- State income taxes:
 - For C corporations, calculated by applying the Utah current corporate tax rate to net Utah taxable income as reported on Form TC-20.
 - For pass-through entities, calculated by applying the current individual tax rate to Utah income allocated to pass-through entity taxpayers as reported on Forms TC-20S or TC-65 or TC-41.

(Only new state tax revenue generated by the Project is counted. The baseline amount is the state tax revenue generated during the taxable year prior to starting the project. State tax revenue generated in a tax credit period is reduced by the baseline amount. For newly created Projects, the baseline amount is zero.)

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- State sales taxes:
 - This is the amount of Utah state sales tax paid by the Entity on taxable purchases for the Project.

(Only the state sales tax should be used. Local and county options sales tax, transient and highways tax, and other taxes are excluded. The state sales tax rate, effective April 1, 2019, is 4.85 percent.)

Infrastructure construction costs are the costs associated with constructing the infrastructure portion of the project. Infrastructure construction costs are direct costs and certain indirect costs allocable to inherently permanent structures (real property) produced subject to capitalization under the Uniform Capitalization (UNICAP) rules of Internal Revenue Code Section 263A. Costs that are capitalized under Section 263A by the Entity are recovered through depreciation or amortization.

The Entity should have a process in place to isolate, document, and report the Project's infrastructure-related state revenue and infrastructure construction costs from other activities. The Entity's process should also facilitate compliance with applicable laws and rules. The Entity is responsible for the preparation and presentation of infrastructure-related information and related internal control.

Three parties are involved in the attest service covered by this Guide, namely:

- The responsible party, the Entity who is responsible for subject matter,
- The independent public accountant (IA) who performs procedures and issues a report intended to add credibility to the subject matter.
- The engaging party, the OED who may rely on both the Entity and the IA in judging the credibility of the subject matter.

An IA is engaged by the Entity to apply agreed-upon procedures to assist the OED in relying on reported information and determining compliance with *Utah Code* 63M-4-601 through 606 and related rules. The agreed-upon procedures applied by the IA will include verification of the Entity's infrastructure-related information prepared by the Entity. A report prepared by the IA is due to the OED within 300 days of the end of each reporting period. The report (uploaded by the IA to the OED) will include a schedule of infrastructure-related information (the Schedule) that provides the following information:

- The Project's infrastructure-related state tax revenue that has been generated during the taxable period for which the tax credit will be claimed;
- The infrastructure construction costs, excluding other capitalized construction costs and other Entity costs, incurred during the taxable period and to date for the Project;
- For the Project, a summary of significant transactions between the Entity and related entities or individuals; and
- A summary of tax credit certificates that have been issued to Entity for the Project.

The IA is to become familiar with the applicable resources and standards cited above.

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AICPA Statements on Standards for Attestation Standards (AT-C) apply whenever an IA is engaged to issue or does issue an agreed-upon procedures report on subject matter that is the responsibility of another party (refer to AT-C sections 105 and 215). A compliance attestation includes engagements related to an entity's compliance with specified requirements of applicable laws and related rules (refer to AT-C section 315). Compliance requirements may be either financial or nonfinancial in nature.

Also, the procedures performed and reports issued by the IA should meet the standards for attestation engagements established by the Comptroller General of the United States in the most recent edition of *Government Auditing Standards* (refer to 2018 revision of *Government Auditing Standards* published by the U.S. Government Accountability Office).

IA's engaged to conduct agreed-upon procedures engagements should be licensed CPAs or persons working for licensed certified public accounting firms (refer to *GAS* 7.79).

The IA is obligated to establish and maintain a system of quality control to provide it with reasonable assurance that the firm and its personnel comply with professional standards and applicable legal and regulatory requirements and reports issued by the firm are appropriate under the circumstances (refer to AT-C 105.06 – .07 and *GAS* Chapter 5). The firm's most recent peer review report normally would be available in the peer review public file at https://peerreview.aicpa.org/public_file_search.html

The IA must follow ethical principles and independent standards and use professional judgment when performing this attestation engagement (refer to AT-C 105.24 and *GAS* Chapter 3).

In this agreed-upon procedures engagement, it is assumed that the OED (the engaging party) agrees to the unmodified procedures to be performed as enumerated in this Guide; the OED acknowledges that the procedures are appropriate for the intended purpose of the engagement. Financial statements are not audited or issued. No opinion on the effectiveness of internal controls is issued. No opinion on compliance is issued. Rather, a report is presented specifying the procedures performed and the results (presented as findings) of performing those procedures. The engaging party and intended users assess for themselves the procedures and findings reported by the IA and draw their own conclusions from the work performed by the IA.

2. OBJECTIVES

The objectives of the IA are to:

- Apply to the Entity's Schedule and compliance with specified requirements procedures that the OED agrees to and acknowledges are appropriate to meet the intended purposes of the engagement,
- Issue a written report that describes the procedures applied and the IA's findings (results of applying the procedures), and
- To assist the OED in validating the Entity's Schedule and evaluating the Entity's compliance with specified requirements.

3. AGREED-UPON PROCEDURES TO BE PERFORMED BY THE INDEPENDENT ACCOUNTANT

The procedures to be performed are as follows:

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A. Schedule of Infrastructure-Related Information (the Schedule)

1. Obtain a schedule of infrastructure-related information, prepared by the Entity, which provides the following information:
 - The Project's new infrastructure-related state tax revenue that has been generated during the taxable period for which the tax credit will be claimed.
 - The infrastructure construction costs incurred during the taxable period and to date for the Project.
 - For the Project, a summary of significant transactions between the Entity and related entities or individuals, disclosing relationships, purposes, and amounts of related-party transactions.
 - A summary of tax credit certificates that have been issued to Entity for the Project.
2. Obtain an understanding of the Entity's preparation and presentation of the Schedule through:
 - Inquiring appropriate management and personnel.
 - Observing the Entity's activities and operations.
3. For state income tax revenue generated:
 - Inspect the Entity's income tax returns filed or to be filed for current tax year and baseline year.
 - Confirm amounts reported on the return match similar amounts included on the Schedule.
 - Agree tax rate with current publications.
 - Check math.
4. For sales tax paid:
 - Obtain the Entity's detailed record of taxable purchases for the year.
 - Systematically select 10 percent (but no more than 40) paid invoices.
 - Agree information on selected paid invoices (amounts, dates, payee, purpose) with information on detailed record of taxable purchases.
 - Agree state sales tax rate with current publications.
 - Check math.
5. For infrastructure construction costs incurred:
 - Inquire and observe the Entity's method of isolating infrastructure construction costs from other activities.
 - Inspect applicable construction contracts.
 - Compare construction contract amounts with Project budgets and authorization.
 - Obtain copy of depreciation schedule filed or to be filed with annual tax return.
 - Confirm amounts reported on the depreciation schedule agree with similar amounts reported on the Schedule.
 - Obtain the Entity's detailed record of infrastructure construction costs incurred (amounts, dates, payee, purpose) supporting amounts reported on the depreciation schedule.
 - Systematically select 10 percent (but no more than 40) paid invoices.
 - Agree information on selected paid invoices (amounts, dates, payee, purpose) with information on the detailed record of infrastructure construction costs incurred.

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- Confirm that costs (direct and indirect) comply with IRC Section 263A.
- Confirm that costs are net of refunds, adjustments, and allowances.

6. For tax credit certificates issued:

- Obtain copies of tax credit certificates issued by the OED to the Entity
- Compare information reported on the certificates with related information reported on the Schedule

B. Compliance

When inspecting documentation supporting new state tax revenue and infrastructure construction costs, compare information to the following requirements:

- The project must be physically located in the State of Utah.
- Documentation should distinguish infrastructure-related costs from other project and Entity costs.
- Documentation supporting costs and tax filings should be retained for a time period to allow the OED and taxing authorities to assess tax liabilities and credits.
- Costs should be reported in the tax period when incurred.
- Costs should be incurred by the Entity and for the approved Project.
- Related-party transactions have been disclosed on the Schedule.

4. ENAGAGMENT ADMINISTRATION

Terms of the Engagement

It is in the interests of both the Entity and the IA to document the agreed-upon terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the engagement letter or other suitable form of written agreement will vary with the engagement circumstances.

A sample engagement letter is provided as Appendix A to this Guide (refer to AT-C 215.15).

Communication with the OED

It may be necessary for the IA to communicate directly with the OED to understand the appropriateness (nature, timing, and extent) of the agreed-upon procedures to be performed as the OED best understands its own needs. Communication could include:

- Discussing the procedures to be applied with the appropriate representatives of the OED,
- Reviewing agreements with or correspondence from the OED,
- Providing a draft of the anticipated IA's report to the OED and obtaining its agreement, or
- When the IA finds it necessary to modify procedures enumerated in this Guide, requesting the OED to agree to the modified procedures and acknowledge that those procedures performed are appropriate for its purposes.

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Written Representations

Written representations in the form of a letter addressed to the IA should be obtained from the Entity (and, when procedures are modified, from the OED). The representations should include the relevant elements listed in AT-C 215.27 and AT-C 315.25. The date of the written representations is the date of the IA's report. The written representations address the schedule of infrastructure-related information and compliance for periods covered by the IA's findings.

Written confirmation of oral representations reduces the possibility of misunderstandings between the IA, the Entity, and, if applicable, the OED. The person from whom the IA requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the parties, which may vary by entity, reflecting influences such as size and ownership characteristics (refer to AT-C 215.A43).

A sample written representation letter is provided as Appendix B to this Guide.

Documentation

For each agreed-upon procedures engagement performed under this Guide, the IA should prepare documentation (in addition to an engagement letter, written representations, and the IA's report) that is sufficient to determine:

- The nature, timing, and extent of procedures performed, including –
 - What was tested,
 - Who performed the work and the date the work was completed, and
 - Who reviewed the engagement work performed and the date and extent of such review.
- The results of the procedures performed and the evidence obtained.

The documentation should be retained by the IA for seven years and be available to the OED upon request.

5. REPORTING

A sample written report is provided as Appendix C to this Guide (refer to AT-C 315.26, AT-C 215 Example 4 and AT-C 315 Example 3).

A sample schedule of infrastructure-related information is provided as Appendix D to this Guide.

Findings are factual results of procedures performed. Findings are capable of being objectively verified and objectively described, which means that procedures to be applied to the subject matter are expected to result in reasonably consistent findings. Accordingly, findings exclude opinions or conclusions in any form as well as any recommendations that the IA may make (refer to AT-C 215.26, AT-C 215.A36 and GAS 7.84).

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When the OED has established a threshold for reporting exceptions, the IA should describe such threshold in its report (refer to AT-C 215.25). Otherwise, the IA should present *all* the results of applying procedures to the specific subject matter in the form of findings (refer to AT-C 215.24 and AT-C 215.A37)

The IA should avoid vague or ambiguous language in reporting findings (refer to AT-C 215.26 and AT-C 215.A38).

The IA has no obligation to perform procedures beyond the agreed-upon procedures. However, if in connection with the application, and through the completion of, the agreed-upon procedures engagement, matters come to the IA's attention by other means that significantly contradict the subject matter or assertion referred to in the IA's report, the IA should discuss the matters with the OED and take appropriate actions, including determining whether the IA's report should be revised to disclose the matters (refer to AT-C 215.40).

In the event the practitioner encounters known or suspected fraud or noncompliance with laws or regulations in connection with the engagement, the practitioner should consider responsibilities under the AICPA Code of Professional Conduct and applicable law prior to communicating such information either to the responsible party or the engaging party (refer to AT-C 215.41 and AT-C 215.A74).

Because *GAS* incorporates by reference the AICPA's attestation standards, *GAS* does not require the IA to cite compliance with AICPA standards when citing compliance with *GAS* (refer to *GAS* 7.83).

The IA is to distribute its report to both the Entity and the OED (refer to *GAS* 7.85).

If certain necessary and detailed information is excluded from a report because of its confidential or sensitive nature, the IA should disclose in the report that certain information has been omitted and the circumstances that make the omission necessary.

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APPENDIX A

Engagement Letter

[Date]

[Board or officer of Entity]

[Name of Entity]

[Address of Entity]

[Identification of Project]

We are pleased to confirm our understanding of the services we are to provide for [Name of Entity] (the Entity). This letter will confirm the nature and limitations of the services we will provide and the various responsibilities and other terms of the engagement.

We agree to apply procedures which the Utah Governor's Office of Energy Development (the OED) has specified, enumerated in the 2020 Agreed-Upon Procedures Guide, to the schedule of infrastructure-related information (the Schedule) for [Name of Entity] for the year ended December 31, 202[X], and the Entity's compliance with *Utah Code* 63M-4 and related rules for the period January 1, 202[X] to December 31, 202[X]. These procedures will be applied for the purpose of reporting our findings as a result of the procedures performed.

Agreed-Upon Procedures

We will conduct our engagement in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We are responsible for carrying out the procedures and reporting findings in accordance with these standards. We have no responsibility to determine the differences between the procedures to be performed and the procedures that we would have determined to be necessary had we been engaged to perform another form of attestation engagement.

The OED has the responsibility to agree to and acknowledge that the procedures performed are appropriate to meet the intended purpose of assisting users in understanding the Schedule for the year ended December 31, 202[X] and determining whether the Entity complied with the specified statutory requirements identified above. Our report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of our report and may not meet the needs of all users of our report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The agreed-upon procedures are not designed to constitute an examination or review of the Entity's Schedule. Also, the agreed-upon procedures are not designed to constitute an examination or review of the Entity's compliance with *Utah Code* 63M-4 and related rules. Therefore, we will not express an opinion or conclusion on these matters. If we did perform additional procedures, other matters might come to our attention that would be reported to you.

Our report (which will include the Schedule) will list the procedures performed and our findings. We will distribute our report to officials of the Entity. We will also upload our report to the OED as specified by the OED.

The purpose of our report will be solely to describe the procedures performed on the Schedule and on compliance with specified requirements and to describe the results of applying those procedures without providing an opinion or conclusion. Accordingly, our report will not be suitable for any other purpose. Our report will contain such restricted-use language. We are also obligated to report known and suspected fraud and noncompliance with laws or rules that come to our attention during our agreed-upon procedures.

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Should we have any reservations with respect to the subject matter, we will discuss them with you before the report is issued.

We have no responsibility to update our report for events and circumstances occurring after the date of our report.

Management Responsibility

Our engagement will be conducted on the basis that the Entity's management acknowledge and understand that they have responsibility for:

- Designing, implementing, and maintaining internal control relevant to the Entity's Schedule and the Entity's compliance with *Utah Code* 63M-4 and related rules;
- Providing us with:
 - Access to all information of which management is aware that is relevant to the Entity's Schedule and compliance such as records, documentation, and other matters;
 - Additional information that we may request from management for performing the agreed-upon procedures; and
 - Unrestricted access to persons within the Entity from whom we determine it necessary to obtain attest evidence.

Engagement Administration and Fees

Our engagement is scheduled for performance beginning in [March] 202[X] and, unless unforeseeable problems are encountered, the engagement should be completed by [May] 15, 202[X].

[Name of engagement partner], CPA is the engagement partner for the services specified in this letter and is responsible for supervising the engagement and signing the report.

Our fee for this service will be \$ _____ and is payable when invoiced at the completion of this engagement. Finance charges of 1½ percent per month will be assessed on unpaid balances over 30 days old.

Prior to the completion of the engagement, we will request from management of the Entity written confirmation concerning representations made to us in connection with the agreed-upon procedures that, among other things, will confirm its responsibility for the accuracy and completeness of the Entity's Schedule and the Entity's compliance with *Utah Code* 63M-4 and related rules.

We agree to retain our attest documentation for seven years from the date of our report.

If any difference arises between the Entity and our firm related to services performed by us that cannot be resolved, the Entity and we agree first to try in good faith to settle the difference.

The attest documentation for this engagement is the property of [Name of CPA firm] and constitutes confidential information. However, we may be requested to make certain attest documentation available to the OED and other oversight agencies pursuant to authority given to them by law or regulation. If requested, access to such attest documentation will be provided under the supervision of [Name of CPA firm]'s personnel. Furthermore, upon request, we may provide copies of selected attest documentation to oversight agencies. The oversight agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. However, the Entity shall have the sole obligation or privilege of releasing any information obtained or prepared in performance of our procedures.

In accordance with the requirements of *Government Auditing Standards*, our most recent external peer review report can be viewed in the public file at www.aicpa.org.

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Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangement for our engagement including our respective responsibilities. If management has questions, please let us know. We appreciate the opportunity to be of service to the Entity and look forward to working with the Entity and its personnel.

Respectfully,

[Name of CPA firm]

RESPONSE:

This letter correctly sets forth the understanding of the Entity. Acknowledged and agreed on behalf of the Entity by:

Official's Signature: _____

Printed Name: _____

Title: _____

Date: _____

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APPENDIX B

Written Representation Letter

[Name of CPA firm]
[Address of CPA firm]

We are providing this letter in connection with your agreed-upon procedures on the schedule of infrastructure-related information (the Schedule) for the year ended December 31, 202[X] and related to the compliance of [Name of Entity] (the Entity) with *Utah Code* 63M-4 and related rules for the period January 1, 202[X] to December 31, 202[X], for the purpose of reporting your findings to the Utah Governor's Office of Energy Development (the OED) and the Entity regarding the Schedule and the Entity's compliance.

We confirm, to the best of our knowledge and belief, as of [Date of report], the following representations made to you during your engagement:

- We are responsible for the accuracy and completeness of the Schedule and establishing and maintaining effective internal control relevant to the Schedule.
- The Schedule agrees with the underlying accounting information.
- We are responsible for the Entity's compliance with *Utah Code* 63M-4 and related rules and affirm our assertion about the Entity's compliance.
- We are responsible for establishing and maintaining effective internal control over compliance.
- We have performed an evaluation of the Entity's compliance with *Utah Code* 63M-4 and related rules and we are responsible for selecting and determining the suitability and appropriateness of the criteria upon which that evaluation was performed.
- We have disclosed any known noncompliance occurring after the period covered by your report.
- We affirm that all known matters contradicting the Schedule with the underlying accounting information or the Entity's compliance with *Utah Code* 63M-4 and related rules and any related communication from regulatory agencies or others have been disclosed to you, including communications received between December 31, 2020 and the date of your report.
- We affirm that we have provided you with all relevant information and access, as applicable, as agreed upon in the terms of the engagement.
- We have responded fully to all inquiries made to us by you during the engagement.
- We understand that the purpose of your report is solely to describe the procedures performed on the Schedule and on compliance with specified requirements and to describe the results of applying those procedures without providing an opinion or conclusion. Accordingly, your report will not be suitable for any other purpose.

Entity Officer:
Signature: _____
Title: _____
Date: _____

Member of Management:
Signature: _____
Title: _____
Date: _____

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APPENDIX C

Independent Accountant's Report on Applying Agreed-upon Procedures

[Board or officers of Entity]
[Name of Entity]
[Address of Entity]

[Identification of Project]

We have performed the procedures enumerated below, which were agreed to by Utah Governor's Office of Energy Development (the OED) and on the accompanying schedule of infrastructure-related information (the Schedule) of [Name of Entity] (the Entity) for the year ended December 31, 202[X] and related to the Entity's compliance with *Utah Code* 63M-4 and related rules for the period January 1, 202[X] to December 31, 202[X]. The Entity's management is responsible for the Schedule and its compliance with *Utah Code* 63M-4 and related rules.

The OED has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in understanding the Schedule for the year ended December 31, 202[X] and determining whether the Entity's complied with the specified requirements identified above. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated finding are as follows:

[Enumerate procedures and findings]

We were engaged by the Entity to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Schedule and on compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Entity and to meet other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

[Additional paragraph(s) may be added to describe other matters.]

This purpose of this report is solely to describe the procedures performed on the Schedule and on compliance with specified requirements and to describe the results of applying those procedures without providing an opinion or conclusion. Accordingly, this communication is not suitable for any other purpose.

[Signature of IA's firm]
[City and state where the IA's report is issued]
[Date of the IA's report]

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APPENDIX D

Schedule of Infrastructure-Related Information

1. State income tax revenue generated

Utah state taxable income as reported on the Entity's tax return for the year ended December 31, 2020	\$ 1,000,000
Utah income tax rate for the year ended December 31, 2020	<u>4.95%</u>
Utah state income tax generated for the year ended December 31, 2020	49,500
If applicable, baseline Utah state income tax generated for the year ended December 31, 2017 (the taxable year prior to starting the project)	<u>15,000</u>
New Utah state income tax generated for the year ended December 31, 2020	<u><u>\$ 34,500</u></u>

2. Sales tax paid

Purchases subject to Utah state sales tax during the year ended December 31, 2020	\$ 2,000,000
Utah state sales tax rate for the year ended December 31, 2020	<u>4.95%</u>
Utah state sales tax paid during the year ended December 31, 2020	<u><u>\$ 99,000</u></u>

3. Infrastructure construction costs incurred

Infrastructure construction costs incurred during the year ended December 31, 2020 (reported as capitalized costs on Entity's tax return, depreciation schedule)	\$ 5,000,000
Infrastructure construction costs incurred and capitalized in prior years	<u>7,500,000</u>
Total infrastructure construction costs incurred and capitalized	<u><u>\$ 12,500,000</u></u>

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4. Significant Project transactions between the Entity and related parties or individuals (such as sales, purchases, reimbursements, cost-sharing, leases and other financing arrangements)

<u>Relationship/Purpose</u>	<u>Amount</u>
Thomas Train, Inc. (parent company)/Freight revenue	\$ 5,000,000
Railway, LLC (subsidiary)/Railroad track and construction materials purchased	1,000,000
Percy Train Company (owned by director of Entity)/Engine lease payments	500,000
Sodor Ltd (affiliate)/Shared administrative costs	750,000

5. Tax credit certificates issued

Tax credit certificates issued to the Entity:	
For the taxable six-month period ended December 31, 2018	\$ 50,000
For the taxable year ended December 31, 2019	<u>125,000</u>
Total tax credit certificates issued to date	<u><u>\$ 175,000</u></u>
