February 13, 2018

Mr. David Bean
Director of Research and Technical Activities, Project No. 24-16ED
Governmental Accounting Standards Board
Norwalk, CT
Via email: director@gasb.org

Dear Mr. Bean:

On behalf of the professionals serving governmental entity clients at CliftonLarsonAllen LLP, we appreciate the opportunity to comment on the topics discussed in the Exposure Draft: Implementation Guide No. 201Y-X, Implementation Guidance Update – 201Y, Project No. 24-16ED.

As practitioners advising financial statement preparers, we use and appreciate implementation guidance issued by the Board. We understand the objective of the implementation guidance is to clarify, explain, or elaborate on GASB standards.

**Question 4.6**

In our opinion, the answer to Question 4.6 seems to be written to amend, rather than clarify, the standard to which it applies. Question 4.6 indicates that when an improvement results in an asset of the government, it does not meet the definition of tax abatement. However, the definition of tax abatement in GASBS No. 77 includes the requirement that the agreement “otherwise benefits the government or the citizens of those governments.” Improvement to an asset of the government certainly seems to fit into the criteria of benefit to the government. The definition of tax abatement in GASBS No. 77:

“A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.”

Furthermore, the answer to Question 4.6 indicates this situation is substantively the same as the transaction described in Question 4.77 in Implementation Guide 2016-1. A key difference between Question 4.6 and Question 4.77 in Implementation Guide 2016-1 is that in 4.77 there are no payments made to a developer as there are in 4.40 in Implementation Guide 2017-1. The payment to developer meets the first criteria in the definition for the forgone tax revenue.
Question 4.6 also references this situation to be an approach to financing improvements to an asset of the government. Another difference between the two situations is Question 4.77 in Implementation Guide 2016-1 clearly results in an obligation (bond financing) and any financing obligation is absent in Question 4.6. Based on the definition of tax abatement in GASBS No. 77, we do not agree with the answer to 4.6 that this arrangement does not meet the definition of tax abatement, as the question/answer is currently written.

If it is the Board’s intent to distinguish this transaction as a financing arrangement related to an underlying exchange transaction, we recommend modification of the answer. The answer should clearly explain that acquisition of the building is the reason for or substance of the payments to the developer, to differentiate it from a tax abatement transaction.

If the intent of the Board is to amend the standard to indicate tax abatement disclosures are not applicable when a government asset is affected by the arrangement but the other two conditions in the definition are met, we recommend the Board issue that clarification in a standard. Including it in the implementation guidance alone may not achieve that objective.

We also recommend the Board consider describing the scenario in more detail such that the answer can be more clearly understood without reference to prior Implementation Guides. Reference to two other questions in two separate previously-issued implementation guides results in undue complexity in understanding the issue and its context.

**Question 4.7**

We also offer a recommended change to the wording in Question 4.7 in the proposed implementation guide to clarify the answer.

4.7. Q—A government enters into an agreement with the owner of a landmark property in which it agrees to freeze the property's assessed value for property tax purposes for a period of 10 years. In return, the property owner agrees not to change the property's existing purpose or use throughout the period. Does the property owner's agreement not to modify the property's purpose or use constitute a specific action for purposes of applying the Statement 77 definition of a tax abatement for financial reporting purposes?

A—Yes. The government has entered into this agreement to achieve a desired outcome for itself and its citizens. By maintaining the property's existing purpose and use, the property owner is taking a specific action that creates a beneficial outcome for the government or the citizens of the government. **Suggested additional information:** If the assessed value of the property for tax purposes increases in the 10-year period of the arrangement, there would be tax abatement disclosures required for the abated tax on the increased assessed value.

Without the additional information, the reader would have to assume there is an increased value on which the tax has been abated. Additionally, by including the additional wording, the reader understands how to quantify the tax abatement subject to the disclosure.
We appreciate the opportunity to comment on the exposure draft and hope our outlined suggestions will help the Board clarify the information to be included in the issued implementation guidance.

Respectfully submitted by,

CliftonLarsonAllen LLP