February 14, 2018

Director of Research and Technical Activities, Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116
Via email to: director@gasb.org
Re: Project No. 24-16ED

Dear Director:

We write to urge GASB to rethink its proposal to exempt tax increment financing (TIF) expenditures that fund public infrastructure from Statement 77 coverage. We worry that this will effectively leave a large amount of economic-development tax abatements uncovered by Statement 77, diluting the Statement’s comprehensive nature.

In New Jersey, relatively new provisions of the state’s Economic Growth and Redevelopment tax credit program (ERG) allows tax abatements for “public infrastructure” projects as well as “mixed-use parking” facilities; we would expect both of these to fall into the proposed exemption.

To date, the state of New Jersey has approved $56 million in tax abatements under these two new provisions. It would be a shame to not have these abatements covered by Statement 77 – particularly when they are abating the same revenue streams as the broader ERG program, which – to the best of our analysis – would still be covered. In effect, this proposed exemption hides away small pieces of the ERG program’s impact on over 20 state and local revenue sources, diluting the accuracy of information the GASB rule should be providing to investors, ratings agencies and other stakeholders.

New Jersey Policy Perspective recommends that GASB build on the existing best practices of some jurisdictions and issue a “clean” question and answer on TIF in the 2018 Implementation Guide. In that Q & A, GASB should clearly state that all forms of tax increment diversions are tax abatements and require that they be disclosed as such. Governments could be encouraged to also disclose how much of these diversions are for “public infrastructure” if they wish.

Thank you for your consideration of our submitted comment.

Sincerely,

Jon Whiten
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