January 22, 2015

David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk CT 06856-5116

Dear Director Bean:

We write to submit public comment on the Proposed Statement of the Governmental Accountability Standards Board (GASB) on Tax Abatement Disclosures. As the ranking minority members of the Finance and Corporations, Authorities and Commissions Committees of the New York State Senate, we have closely studied the impact of tax abatements and economic development subsidies for many years. We strongly support the development of requirements for disclosing information about tax abatements offered by state and local governments. This is an important step in increasing the transparency of financial reports and in ensuring the public is well informed about state and local tax abatement policies. We offer below a few suggestions that we believe will strengthen this proposal if included in the final statement.

First, this proposal would be strengthened by requiring deal-specific, company-specific disclosure. Very large abatements for individual recipients may have a disproportionate impact on local government finances for a variety of reasons. Mega-projects funded through such abatements can significantly strain existing infrastructure, requiring additional investments by local governments. An even greater impact can come from the failure of a large subsidy recipient if the locality is particularly dependent on the jobs tied to that recipient. Therefore it is important to know more than the overall amount of state and local abatements, but also how those abatements are distributed. This information is generally readily available to state and local economic development agencies, and therefore requiring it would not impose a significant burden on reporting entities.

Second, the definition of “tax abatement” should be expanded in the final statement. Because the definition in the proposed statement only applies to agreements to the abatement that proceed the reduction of taxes and the fulfillment of the recipients promise to act. This excludes a variety
of incentive programs, including Tax Increment Financing (TIFs), performance-based incentives, and payments in lieu of taxes (PILOTs). All of these arrangements have potential impacts on local finances.

Finally, the final statement should include a requirement for disclosure of future-year costs of tax abatements. Since many tax abatement programs last decades, there can be significant out-year impacts on local government finances, and failing to require disclosure of these costs will undermine the effectiveness of the new rules.

While we believe the proposed statement can be strengthened by including the above suggestions in the final statement, we also want to recognize the importance of the step GASB is taking in proposing standards for how state and local governments should report the costs of tax-based economic development subsidy programs. As legislators we have often been frustrated by the opacity of economic development subsidies generally, and tax abatement programs specifically. If a strong proposal is implemented by GASB it will go a long way in enabling both financial analysts and the public to have a better understanding of the impacts of these subsidies on state and local government finances.

Thank you for your attention to this important matter.

Sincerely,

Liz Krueger
State Senator
28th District

Bill Perkins
State Senator
30th District