January 29, 2015

Governmental Accounting Standards Board
Attn: Director of Research and Technical Activities, Project No. 19-20E
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed Statement of Governmental Accounting Standards Regarding Tax Abatement Disclosures (the “Proposal”)

Gentlemen:

The Georgia Economic Developers Association (“GEDA”) is hereby filing the following written comments to your Proposal.

GEDA is the leading professional association dedicated to enhancing Georgia’s economic vitality. The organization has over 750 members statewide. The mission of GEDA includes shaping economic development public policy.

GEDA is concerned that the Proposal as written will create confusion and generate misleading local government financial statements. We respectfully request that the Proposal be amended to exclude from its definition of “abatement” any transaction in which property tax savings are not conferred directly by a local or state government under a state statute.

Our request is consistent with your Proposal’s own statement that it “does not apply to all transactions that are called ’tax abatements’ in practice.” (p. 5 of Proposal). Indeed, the term “abatement” should not ever be used in reference to our specific concern about lease transactions, which is discussed below.

We have a specific concern that the Proposal should not be applied to property tax savings resulting in practice when a local authority leases a project to a company. The savings in that case results from the difference in the taxability or valuation of the lease. Calling this “tax abatement” means that, for example, a non-taxable lease by a convention center authority of space for an event would be subject to the Proposal, which surely cannot be your intention. However, the potential for confusion exists, under the current Proposal, and needs to be corrected.

We submit that our requested “safe harbor” is consistent with the intent of your Proposal for the following specific reasons:

1. The Proposal addresses “...a tax abatement...resulting from an agreement between a government and a taxpayer in which the government promises to forgo tax revenues and the
taxpayer promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.” In contrast, a local authority is not a unit of local government, and it is certainly neither a state government nor a state-level authority.

2. The Proposal states that: “Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities.” (p. iv of Proposal). However, a local authority that cannot by agreement abate taxes is not within the scope of the operative provisions of the Proposal. The ability to grant such abatements is conferred by statute in some states (not all), but typically only on a city or county, or a state itself or a state-level authority. A local authority, in the lease situation described above, does not “grant” abatement. Indeed, it legally cannot.

3. Further, the Proposal refers to “abatement” as resulting when “one or more governmental entities promise to forgo revenues from taxes for which the taxpayer otherwise would have been obligated...” (p. 1 of Proposal). In contrast, when a lease of a project from a local authority is taxed at a reduced value, revenues are not “foregone.” The project is liable for all the taxes that are legally due.

4. Consistent with our view (i.e., that valuation methodologies should be outside the scope of the Proposal), the concern of the Proposal is with statutory property tax abatement. For example, the Proposal cites: “44 states with statutes authorizing governments to enter into tax abatement agreements...” (p. 4 of Proposal). When no authorizing statute is involved, the Proposal should not apply.

5. The potential for the Proposal to cause financial statements to be misleading is evidenced by its pre-occupation with so-called lost revenues; e.g., “Tax abatement agreements reduce the amount of financial resources that otherwise would flow into a government.” (p. 10 of Proposal). This totally ignores increased public revenues resulting from a project, such as sales taxes, hotel/motel taxes, business license fees, etc., etc. It is as wrong to understate revenues, as to overstate them. The Proposal should exclude economic development projects that generate other revenues for the public sector.

Based on the foregoing, GEDA respectfully requests that the Proposal be amended to create a “safe harbor” applicable generally to exclude the Proposal when property tax savings are not conferred directly by a local or state government under a state statute, and specifically in the case of valuation-based savings when a project is leased to a company by a local authority.

Yours very truly,

GEORGIA ECONOMIC DEVELOPERS ASSOCIATION ("GEDA")

By: ____________________________
    Kevin Shej, President