January 27, 2015

RE: Project No. 19-20E

Director
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

To the Director:

We, the members of Memphis Firefighters, International Association of Fire Fighters (IAFF) Local 1784, write in strong support of GASB’s Exposure Draft on Tax Abatements. We also write to urge you to include tax increment financing (TIF) in your definition of tax abatements, as well as Payments in Lieu of Taxes (PILOTs).

Like IAFF locals across the United States, we use Comprehensive Annual Financial Reports and other public budget documents for purposes of both collective bargaining and public policy advocacy on tax and budget issues. Having CAFRs that include tax abatement revenue-loss data will benefit us, and the communities we protect.

We especially urge that these tax abatements be carried as liabilities on the balance sheets of government budgets, as is currently required of public pension plans, which are not allowed to accredit future returns on investment. By contrast, corporations have routinely filed applications for tax abatements that project “return on investment” benefits, such as increased employment opportunities and projected tax revenues, without any corresponding obligation to characterize liabilities to be created to governmental, such as the impact of reduced revenues on public services.

The liabilities created by tax abatements are real and apparent in Memphis, a city whose public services and public safety have been severely undermined by millions of dollars in property tax abatements in the form of Payments in Lieu of Taxes (PILOTs) already granted to dozens of multinational corporations that have failed to either create or adequately report the employment benefits that they have alleged in their abatement applications. Despite these shortfalls, the liabilities incurred to the city’s tax base and public services by these tax abatements have not been required inclusions in the city’s budget filings.
Indeed, the $468 million in property tax abatements in the form of PILOTs that the City of Memphis has given to a number of large corporations since 2009 have clearly resulted in outcomes that can only be characterized as liabilities.

For example, a report published last year by Good Jobs First, a non-profit organization that tracks the impact of tax abatements on public services, revealed that PILOTs in Memphis have not only failed to achieve many of the job gains that were promised, but are seriously undercutting the city’s tax base and leading to cutbacks in vital services, while unfairly saddling the city’s residents and its small and midsize businesses with the burden of financing vital public services. In 2013 alone, the annual cost of the PILOTs to the city was $42 million, or about 14 percent of the city’s property tax base.

Meanwhile, the pay, pensions and benefits of public employees have been drastically cut as a result of declining tax revenues, resulting in a growing threat to public safety. Last year alone, 130 personnel left the Memphis fire department and 200 police officers left the city’s employment.

With the City of Memphis having recently approved additional multi-million-dollar tax abatement deals for Elvis Presley Enterprises (triple subsidies for Graceland) and for a new IKEA store, the need for full disclosure of these tax expenditures — and the resulting revenue harms they pose for Memphis taxpayers, public services, and public safety—is more crucial than ever.

Sincerely,

Thomas Malone
President
IAFF Local 1784
Memphis Fire Fighters Association