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Office of the Auditor General

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Doug A. Ringler, CPA, CIA
Auditor General

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

Dear Mr. Bean:

We support the Governmental Accounting Standards Board's (Board) goal to provide transparency to tax abatement programs as outlined in the Exposure Draft (ED) of a proposed statement titled *Tax Abatement Disclosures*. Disclosing tax abatements in an annual financial report is appropriate, given the information will provide perspective to citizens and other report users of the extent of revenues a government agreed to forgo and the intended purposes.

However, given the varied nature of programs that provide an exception to pay a tax, we anticipate governments and their auditors will face several challenges in identifying, quantifying, and auditing the required information. We are concerned whether governments will have an effective method to completely identify and report the abatements. Also, absent a formal, written agreement between the government and taxpayer, our concerns also extend to an auditor's ability to obtain the necessary assurances to support our opinion, particularly regarding the dollar amount by which the reporting government reduced their tax revenue during the reporting period. If those amounts are derived from taxpayer self-reporting, our ability to verify accuracy will be significantly limited.

Given the differing tax reporting periods by some taxpayers, some governments may need to estimate the abated revenue applicable to the reporting period. Accordingly, the GASB should consider requiring governments specify the "tax year" being reported.

We note that the ED's paragraph 4 requires disclosure not only of economic development tax abatements, but also those that "otherwise benefits the governments or the citizens of those governments." Anticipating that such broad instructions will generate questions regarding the standard's implementation, we urge the Board and the GASB staff to publish a wide variety of examples and Board approved questions and answers as timely as possible on the GASB website.

We appreciate the opportunity to provide feedback on this exposure draft. If you have any questions regarding our comments, please contact me or Craig M. Murray, Director of Professional Practice.

Sincerely,

Doug Ringler
Auditor General

c: C. Murray, CPA, CIA

Via e-mail