



January 23, 2014

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

Re: Project No. 19-20E

Dear GASB Director:

As public officials from Minnesota, we are writing in support of the proposed new GASB standard on Tax Abatement Disclosures. We also wish to alert GASB to the need to capture Tax Increment Financing, or TIF, in its definition of "tax abatement," a practice we have taken seriously for over a decade.

Minnesota has long been a leader when it comes to accounting for the costs associated with TIF revenues diverted from local government bodies. Our state's first-in-the-nation transparency and accountability law, passed in 1995 and revised in 1998, stands as a testament to the capacity for local jurisdictions to provide a full picture on TIF activity.

Each year, as required by Chapter 469 of the Minnesota statutes, jurisdictions making use of Tax Increment Financing mechanisms are required to report numerous pieces of information to the State Auditor, including the following:¹

- Full disclosure about the sources and uses of revenue in each TIF district, including a detailed breakdown of expenditures, interest on TIF bonds, administrative costs, and more;
- The original net tax capacity of the TIF district;
- The net tax capacity of the TIF district for the reporting period; and
- The amount of tax capacity captured by TIF mechanisms;



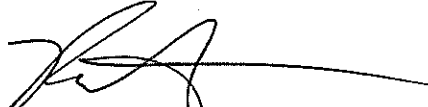
Minnesota's Auditor compiles information about TIF activity into an annual report detailing the year's TIF activity at the local level.² For the year ending December 31, 2013, a total of 1,732 TIF districts out of 1,733 filed reports with the Auditor. For the same year, Minnesota TIF districts diverted \$201,794,883 in revenue, with 81 percent of those TIF revenues in the Twin Cities metropolitan area alone. The amount of revenues captured by TIF has actually dropped modestly over time: in 1997, TIF districts diverted \$231 million in property tax capacity, about 6.2 percent of the state's total base. Without annual reporting requirements, vital information about the impact of TIF would be lost and our ability to make sound fiscal choices would be hindered.


As leaders in TIF reporting, we believe the time is long overdue for all U.S. jurisdictions to report publicly about TIF spending, although we understand that our state's annual TIF data aggregation is unusual. Our experiences with financial reporting about TIF show what is possible, even when a district diverts taxes other than property taxes such sales tax, corporate income taxes, payroll taxes, parking fees and/or taxes, admission fees, assessments on properties, and/or Payments-In-Lieu-Of-Taxes. Indeed, the recently enacted Mayo Clinic TIF project in Rochester must follow these reporting standards even though it involves public investment of a projected \$455 million in revenues including property taxes, sales taxes, lodging taxes, food and beverage taxes, admissions and entertainment taxes, and a wheel tax.³

Minnesota's experience with TIF makes it clear: these are enormous tax expenditures and clearly salient fiscal records that belong within GASB's definition of economic development tax abatements; and there is no undue burden for local governments to report TIF abatement data in their Comprehensive Annual Financial Reports because they already report it to the state auditor.

We appreciate the opportunity to comment on this important issue.

Sincerely,


Rep. Ryan Winkler


Rep. Ann Lenczewski

¹ <https://www.revisor.mn.gov/statutes/?id=469&view=chapter#stat.469.175>

² <http://www.osa.state.mn.us/list.aspx?type=rpt&div=tif>

³ <http://www.rochestermn.gov/departments/administration/dmc/pdf/DMC%20Overview.pdf>