



January 26, 2015

Sent via email to director@gasb.org

RE: Project No. 19-20E

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

Dear GASB Director:

We are writing in strong support of GASB's Exposure Draft on Tax Abatements. As a research organization focused on state tax policy, we are heartened to see GASB taking steps towards promoting strong accounting standards for tax abatements.

That said, we urge you to include performance-based incentives in your definition of tax abatements.

In New Jersey, lawmakers have responded to the Great Recession by heavily increasing the state's reliance on performance-based incentives to stoke an economic recovery. In the last 5 years alone, over \$5.1 billion in projected incentives have been approved by New Jersey's Economic Development Authority (EDA), with a decidedly mixed record on financial standards and reporting. Of this, more than \$3.5 billion has been approved in performance-based programs that would escape the proposed definition of tax abatement.

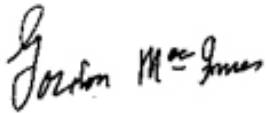
The Exposure Draft suggests that performance-based incentives are more akin to "broad tax exemptions and deductions," rather than "individual tax abatement agreements." Here in New Jersey, corporations and others eligible for the performance-based incentives must apply to the EDA, be approved and then sign an agreement with the agency that conditions the abatement on agreed-upon goals of jobs and development. This is clearly not a broad exemption, and is much better defined as an individual tax abatement agreement.

We don't believe that the timing of the tax reduction should dictate GASB's definition of tax abatement. In fact, we believe that the definition in B-12 absolutely includes performance-based incentive agreements, at least in New Jersey. The government promises to forgo revenues from taxes for which the taxpayer otherwise would have been obligated, and the taxpayer promises to take a specific action after the agreement has been entered into. We see no reason that performance-based incentives should fall outside the bounds of this definition.

We hope GASB will err on the side of increased disclosure, and include performance-based incentives in its definition of tax abatement. It clearly has a bearing on the two ways in which GASB hopes to improve financial reporting with these rules: increasing understanding of how abatements “affect the government’s future ability to raise resources and meet its financial obligations” and how they affect “the government’s financial position and economic condition.”

Thank you in advance for your time and your consideration.

Sincerely,

A handwritten signature in black ink that reads "Gordon MacInnes". The signature is written in a cursive style with a large initial "G".

Gordon MacInnes
President
New Jersey Policy Perspective