



January 27, 2015

Mr. David R. Bean, CPA

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 Mr. Bean:

I am writing in regard to GASB's draft Standards on the Disclosure of Tax Abatements. First we would like to thank you for putting the standards forward. The Florida Center for Fiscal and Economic Policy was founded in 2007. We are a non-profit, non-partisan Center whose mission is to conduct research and analysis on programs and policies that have a particular impact on middle and lower-income individuals, families and small businesses in Florida. We have a particular focus on tax and budget issues.

We have long been concerned with the lack of transparency as it relates to tax abatements or incentives or rebates that are offered in the name of economic development and job creation, especially on the local level.

Under the Economic Development Tax Exemption program, Florida localities can abate 100 percent of a company's property taxes, but those local costs are nowhere reported or aggregated at the county or state level. This is especially significant given that Florida lacks a personal income tax and property taxes remain the primary source of funding for local services, including schools, police and fire protection.

Currently there is no data easily available about the cost of local tax abatements so we strongly support GASB's proposed standards as the new data will help us determine the financial condition of local governments and communities.

The State of Florida has knowingly entered long-term agreements to forgo large amounts of revenue for very long periods of time. An accounting of these known future expenditures is critical to assess the state's fiscal condition and its ability to sustain vital public services. For example, in 2014, the state of Florida and Brevard County granted Northrop Corporation a \$471 million economic development subsidy package. This "megadeal" includes \$450 million over 50 years in local property tax exemptions (<http://subsidytracker.goodjobsfirst.org/subsidy-tracker/fl-northrop-grumman>).

GASB's current proposal does not require governments to disclose future-years' dollar liabilities, but given such long-term economic development tax abatement transactions, we need them to be accounted for in order to plan for the financial future of our localities.

In Florida, several economic development tax abatement programs are structured as "performance-based" programs. For example, in Enterprise Zone programs companies must be certified by a local zone coordinator and granted a certification form before claiming an EZ credit on their tax returns. These certifications constitute an agreement between the state and the company, and reduce the company's tax liability in the name of economic development. However, the tax reduction occurs after the economic development activity and we fear that the GASB's wording at Paragraph B8 of the Exposure Draft might therefore exclude such abatements. We hope that sales tax rebates for economic development and performance based programs too will be captured by GASB's definition of tax abatements.

We respectfully disagree with the Florida Government Finance Officers Association, Inc.'s assertion that because the GASB draft does not also call for an accounting of benefits, it should be reconsidered altogether. To extend that logic, there would be no end of accounting because if an abatement succeeds, it induces population growth. That, in turn, means increased public-sector costs for education, public safety, infrastructure, sanitation, justice and so forth. Your original premise that tax expenditures for economic development should be made as transparent as appropriated expenditures is the sound fiscal underpinning that policymakers, investors and taxpayers deserve.

It would be very helpful for research and transparency purposes to ensure that all agreements that result in the loss of revenue that otherwise would be available for statewide or local public purposes such as education, healthcare, police and fire protection, library services, etc. be included in the definition of tax abatement irrespective of the terminology used to describe the transactions or agreements.

Thank you for providing the opportunity for us to comment on the proposed standards for tax abatements. Uniform, inclusive requirements for reporting of budget expenditures made through tax abatements granted at the state and local levels will vastly improve transparency in our states and will allow us to better inform the public and elected policy makers as to the full fiscal impact of their decisions made in an effort to support and expand economic development.

Sincerely,

Karen Woodall, Executive Director

Florida Center for Fiscal and Economic Policy