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David R. Bean
Director of Research & Technical Activities
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856

RE: Exposure Draft No. 19-20E: Tax Abatement Disclosures

Dear Mr. Bean:

This letter is in response to the Governmental Account Standards Board's (GASB) request for comments on the Exposure Draft No. 19-20E that would establish requirements for local and state government to disclose information about tax abatements in the notes to the financial statements.

As the City of Philadelphia's Financial Watchdog, my Office has the responsibility of assuring that taxpayers' dollars are spent efficiently and effectively for all Philadelphians. **Requiring governments to report tax abatements not only provides transparency, but it provides governments with critical information on local economic development and the benefits to the citizens it serves.**

In March 2014, my Office released an analysis of the Keystone Opportunity Zone (KOZ) Program, which reviewed Pennsylvania's major tax incentive program on the City of Philadelphia's economic development. This study represented the first such effort to examine the cost-benefit analysis of the KOZ Program in Philadelphia over the 15-year period.

While several of the study's findings focused on the impact of jobs and economic development, we also uncovered that on the administrative side, the records necessary to provide adequate oversight of the KOZ program largely did not exist. This was in part due to the following:

- The state requires very little in the way of verifiable reporting of outcomes; virtually all results are self-reported and there are no audit or oversight requirements.
- The Philadelphia Commerce Department's list of qualified businesses was not coterminous with the Philadelphia Revenue Department's list of businesses that received tax credits.
- The Philadelphia Commerce Department shreds new and renewal applications after three years and does not convert them to electronic records.
- Neither Commerce nor the Philadelphia Revenue Department requires KOZ participants to track job creation or capital investment in any verifiable form.
- There is no annual report from the City's KOZ administrator, which could then be subject to audits.

By requiring governments to report tax abatements on financial statements, it would create financial accountability and verification for local and state government to compile this necessary data. It would also aid local and state legislative bodies to adopt standards that would mandate tax abatement information be included in financial statements.

Some of these disclosures as defined in GASB's proposed Statement would include general descriptive information about the tax being abated, eligibility criteria, the number of tax abatement agreements entered into during the reporting period, the dollar amount of taxes abated during the period and any commitments made by a government as part of the tax abatement agreement.

I support GASB's Exposure Draft requiring Tax Abatement Disclosures as it will provide for financial accounting and the necessary communication to guide and educate the public, issuers, auditors and users of those financial reports.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Butkovitz", written in a cursive style.

ALAN BUTKOVITZ
City Controller