

January 21, 2015

Re: Project No. 19-20E

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

Dear Mr. Bean:

Please accept these comments on GASB's proposed rules on Tax Abatements.

The Alliance for a Just Society is a 501(c)(3) national research, policy, and organizing network of 15 racial and economic justice organizations including The Center for Community Growth (Pennsylvania), The Center for Intercultural Organizing (Oregon), Citizen Action of New York, Connecticut Citizen Action Group, Idaho Community Action Network, Indian People's Action (Montana), Maine People's Alliance, Make the Road New York, Montana Organizing Project, OneAmerica (Washington), Oregon Action, Race Forward, Restaurant Opportunities Center United, Virginia Organizing, and Washington Community Action Network. While each of the state-level organizations in our network focus on issues central to the lives of members in their states, all of our affiliates share the Alliance's goal of addressing racial, economic, and social inequities, which often includes analysis of state and local government budgets.

Because we use data to help understand the landscape of our work and to help us influence policy changes, transparent data at all levels of government makes our work not only easier, but deeper and more robust. The more data that is available consistently from state to state, the deeper we can go in our analysis and the stronger our policy recommendations. As such, we support GASB's efforts to add standards for tax abatement disclosures, but believe there are ways that the standard can be improved in its final form.

While each of the states represented by our network affiliates has their own challenges regarding economic development incentives, there are several key items that would improve systems in all of our states.

We support the requirement that financial reporting should include tax abatements by other levels of government that affect a reporting government's budget, but we also believe that this can be strengthened. Requiring only a simple line item of the effects by program, rather than information on the specific activity will prevent researchers and other analysts from best understanding what activities are lowering local tax income and so may hinder efforts to improve policies in the future.

Since 2009, Maine has issued over 400 property tax abatements worth over \$100 thousand each, with thousands of other smaller abatements.¹ Such abatements affect the budgets of city governments and school districts.² If the lost tax revenue for these abatements was only shown as a single line item by these local governments, the value of such a report would be diminished and how such tax abatements affect local governments' budgets would be less clear.

We also recommend that you should include in the new rules requiring disclosure of recipients of tax abatements. While you note in Section B15 of the proposed rules that requiring disclosure of hundreds of recipients could be overwhelming, this seems incongruent with the fact that all of the tax abatements included in these rules are agreements that the reporting government should already have on record. Rather than being an overwhelming burden, requiring governments to disclose information that they already have should be a relatively simple task with great benefit.

Disclosing recipient names would help create greater transparency, and would also help analysts and various levels of government to better understand the aggregate benefit that specific industries and companies receive through tax abatements and analyze whether investments in those industries and companies are beneficial over time.

In Oregon, Koch Industries has received 23 subsidies since 2003.³ Better transparency of these subsidies that includes the name of the recipients can help shape future subsidies and can determine whether state and local governments are offering subsidies only to the same businesses year after year, and whether or not that should change in the future.

Finally, we also recommend that you require future year reporting in these rules. Currently, your draft rules do not require governments to disclose future costs, hiding what is often a crucial piece of large tax abatement agreements. Without full disclosure of future costs, there is a risk that politicians could create future budget trouble with too many future costs. Additionally, when analyzing budgets and making policy recommendations for the future, lack of this disclosure could again hinder efforts to improve government practice and tax policies in the future. As with recipient names, this is data that governments already have, so should not be an undue burden for inclusion in reporting.

In fact, some local governments, such as in New York, already include future year reporting. The New York City Economic Development Corporation is required by local law to provide future year reporting, as well as current year, costs accrued to date, and the total value of the subsidy.⁴ Such reporting is vital to developing future budgets and understanding the full impact of tax abatements.

We commend GASB for taking this step to improve government accounting of tax abatements, and hope that you will include our recommendations in your final rules. The improved data that will result from your efforts will help the Alliance for a Just Society and our affiliates better understand the budgets of the states and localities in which we work, as well as create a better

¹ Analysis of tax abatement and subsidy data provided by Good Jobs First.

² <http://www.memun.org/TrainingResources/LocalGovernment/GuidetoPropertyTax.aspx>

³ Analysis of tax abatement and subsidy data provided by Good Jobs First.

⁴ <http://www.ibo.nyc.ny.us/iboreports/locallaw48110111.pdf>

ability to compare our states to one another with similar data to educate our members and help influence budget policy in our states to become more equitable.

Thank you for your consideration of these comments.

Sincerely,

LeeAnn Hall
Executive Director
Alliance for a Just Society
908-B Pennsylvania Ave. SE
Washington, DC 20003

