



State of New Jersey

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Acting State Comptroller

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Director of Research and Technical Activities
Project No. 19-20E
director@gasb.org

Dear Director:

Thank you for the opportunity to respond to the GASB's Exposure Draft, Preliminary Views on *Tax Abatement Disclosures*. The New Jersey Office of the State Comptroller supports the mandatory reporting of tax abatement agreements in state and local governments' financial statements. Like the GASB Board, we believe requiring governments to provide tax abatement information to the public will provide taxpayers and others with the information they need to better assess the financial health of state and local governments.

The New Jersey Office of the State Comptroller recognizes that, depending on the breadth and duration of the agreement and how often the tool is used by a government, tax abatements can severely limit a government's ability to raise resources and fund its needs. This can be true not only at the time that the abatement is granted but also well into the future.

Adopted in 2009, New Jersey Administrative Code 5:30-8.8 requires municipalities to submit information about long-term tax exemption projects in effect during the reporting period to the New Jersey Division of Local Government Services (DLGS) in the Department of Community Affairs. The Office of the State Comptroller understands and respects the Board's opinion that requiring abatements to be listed individually could be onerous and costly. However, we also believe there is a significant benefit in making information about individual abatement agreements – including who is receiving them, how much they are for and what the recipient has promised in exchange for the abatement – available to the public.

To balance these competing interests, we propose the Board consider requiring governments that chose to aggregate abatement information they entered into by major tax abatement program to certify that detailed information about each active abatement agreement is compiled and available for review. We propose the Board require this certification be done in a note in the entity's CAFR. This would ensure that tax abatement agreements are maintained and can be easily accessed by the public. Like the Board, we agree that governments should be allowed to combine the abatement agreements that affect them but were entered into by another government without further requirements.

The Exposure Draft stops short of requiring the disclosure of recipient compliance with commitments made as part of a tax abatement agreement, such as whether a recipient has fulfilled their commitment to create or retain a specific number of jobs. In its Draft, the Board states it has made this decision because information about compliance may not be readily available to the government granting the abatement but is instead “a matter of compliance by the recipient, not by the reporting government.” However, we would argue that to the extent to which this information is known to the reporting government, it is the government’s responsibility to follow-up on these promises and report on them.

Thank you for considering our opinion of this Exposure Draft.

Sincerely,

Anne Vidunas-Gladwell, CPA

A handwritten signature in cursive script that reads "Anne Vidunas-Gladwell".

Deputy Director, Audit Division
New Jersey Office of the State Comptroller