



January 28, 2015

Sent via email to: director@gasb.org

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,

Advocates for Independent Business (AIB) is a coalition of trade associations and other national organizations that represent locally owned, independent businesses. AIB's member organizations, which are listed at the end of this letter, collectively represent over 100,000 small businesses that employ more than 600,000 people and provide over \$10 billion in annual payroll.

We write in strong support of GASB's Exposure Draft on Tax Abatement Disclosures. We have a deep interest in this proposed policy, because the tax expenditures that local and state governments make for economic development directly affect the competitive landscape in which our members operate.

Many cities, for example, have provided tax abatements to new big-box retail projects that compete directly with the Main Street businesses that we represent, sometimes leading to business closures and job losses. There is evidence that the public may not be getting their money's worth from some of these expenditures. For example, a 2011 study produced for the East-West Gateway Council of Governments found that cities and counties in the St. Louis metro area had diverted more than \$5.8 billion in public tax dollars to finance private development, with more than 80 percent of these funds supporting retail projects. Yet the region saw virtually no economic growth. "The number of retail jobs has increased only slightly and, in real dollars, retail sales per capita have not increased," the study found. According to the study, more than 600 small retailers closed in the St. Louis metro area during the period, producing job losses that apparently offset the new jobs created by the subsidized development.

In the absence of consistent and complete disclosure of these expenditures by local and state governments, it is impossible for our members, as well as the broader public and elected officials, to evaluate whether these subsidies are a worthwhile use of tax dollars and to meaningfully advocate for changes to state and local economic development expenditure policies. GASB's Exposure Draft provides a very significant step toward achieving this level of transparency and accountability.

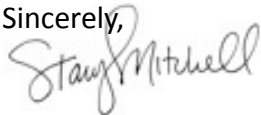
We believe that GASB's draft is insufficient in two particular areas, however, and we respectfully urge the board to modify the draft to address both of these concerns.

First, we believe that it is critical that GASB's new guidelines should specify that governments disclose each individual deal, including listing the companies that are recipients. This information is essential if citizens and policymakers are to be able to evaluate the costs and benefits of these expenditures, which vary widely from deal to deal. In retailing, for example, this information would reveal whether a new abatement recipient is a known competitor of existing employers.

Second, we fear that the definition of "tax abatement" may not capture several very significant types of development subsidies. In particular, we are concerned that the definition may not encompass tax increment financing (TIF), which is widely used by local governments to underwrite economic development, including many retail projects. In our view, TIF is one of the most significant tax expenditure programs and therefore should be explicitly included as part of proposal's definition of a tax abatement. For example, the vast majority of spending in the above-cited St. Louis-area study was by TIF districts.

Thank you for the opportunity to offer comment on the proposed requirements.

Sincerely,



Stacy Mitchell

Coordinator, Advocates for Independent Business

AIB Members

American Booksellers Association
American Independent Business Alliance
American Specialty Toy Retailing Association
Brixy
Business Alliance for Local Living Economies
Independent Running Retailers Association
Independent We Stand
Institute for Local Self-Reliance (coordinator)
National Bicycle Dealers Association
North American Retail Hardware Association
Professional Association of Innkeepers Int'l
Real Diaper Industry Association
Record Store Day
Soccer Dealer Association
Society of American Florists