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January 30, 2015

Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board (GASB)
401 Merritt 7
Norwalk, CT 06856-5116

Project: 19-20E

Dear Mr. Bean:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Governmental Accounting Standards Board (GASB or the Board) on the exposure draft (ED) entitled *Tax Abatement Disclosures* (Project No. 19-20E) which was issued on October 20, 2014. The FMSB is comprised of 24 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The ED proposed by GASB would require governments to disclose information regarding tax abatement agreements where the government has forgone taxes in exchange for certain commitments by a taxpayer. As discussed in paragraphs 3 and 4, this ED proposes would address not only tax abatement agreements entered into by the reporting government which reduce their tax revenues but also tax abatement agreements entered into by another unit of government that reduce the reporting government's revenues. We agree that the exposure draft should not address tax reduction programs that have general, categorical eligibility requirements such as senior citizen tax reduction programs as they could potentially contain inadvertent disclosure of personally identifiable information.

The FMSB has reviewed the draft Statement and generally agrees with the ED proposed by GASB. However, we have some concerns regarding the proposal and some suggested improvements. We also believe that GASB might build upon this exposure draft in its future work to develop additional standards that would improve the quality of financial reporting. For example, we are pleased that the Board considered benefits and costs as discussed in paragraphs B38 to B42 in the exposure draft's basis for conclusions.



In reviewing the disclosure principles on paragraph 5 and the specific requirements in paragraph 6, the FMSB is concerned that certain information may be difficult for some reporting governments to obtain, particularly if the tax abatement agreement is entered into by another unit of government. In particular, the information necessary to meet the disclosure requirements of paragraph 6.a. (5), 6.a. (6), 6.b, 6.c., and 6.d. may present problems for a reporting government. The inability to obtain the information will negatively impact the work of the auditor since they opine on the footnotes. There is a potential for a modified opinion if the tax abatement amount is significant to the financial statements.

This type of tax abatement arrangement with another government entity was recognized in paragraph B14 of the Basis for Conclusion Section of the ED. Such information as the dollar amount by which a reporting entity's tax revenues were reduced (requirement 6.c.) may be a matter beyond the reporting government's ability to calculate because it was not a party to the negotiation of the agreement. In the case of property taxes, a reporting government which did not negotiate the agreement may lack basic information regarding the potential assessed valuation of the property covered by the tax abatement agreement and therefore be unable to calculate the dollar amount by which revenues are reduced. In a similar circumstance, a reporting entity may lack basic information regarding paragraph 6.a. (6) d as to what commitments other than to reduce taxes have been made. Although the Basis for Conclusion section of the ED (paragraph B16) recognizes the difficulties for a reporting government, and allows a reporting government to avoid reporting by major program, it will still present problems for a reporting government. We suggest that GASB consider language that specifically allows the reporting government the ability to fulfill the disclosure requirement through either referring to the other government and disclosing it is unable to determine the amount of the abatement or specially provide guidance which allows estimation of the abatements.

The FMSB also recommends that GASB add language to the Standard which would allow the reporting government to reference publicly available information in lieu of lengthy disclosures in the footnote. . Paragraph B15 in the Basis for Conclusion recognizes the need to carefully consider the level of aggregation that should be considered in preparing adequate footnote disclosures on this topic. For governments with large numbers of tax abatements the level of aggregation may present problems. GASB should consider whether a government might limit its footnote disclosure to some overall summary, while providing details through an alternative means such as a website or a separate report? We would expect that such alternative means would be required to report upon the same period as the financial statements and not be subject to change once prepared. It would seem that this disclosure would lend itself to this type of reporting and greatly improve the quality of information given to users. For example, in GASB-68, it is acceptable to reference publicly available information about participation in a statewide pension plan. We would also encourage increasing this ability in all future GASB standards for information that is publicly available and of course subject to the constraints of information being for the same reporting period and the correct basis of accounting.

The FMSB also believes that GASB needs to consider expanding the reporting requirements in the area of tax abatements (i.e., other tax reduction programs) as part of the overall reexamination of the financial reporting model. We recognize that the current ED was narrowly defined for a reason and applaud the progress made on this matter. However additional valuable information can be provided to the public on other tax reduction programs. For example, at the local level of government there exists many programs that reduce taxes for individual taxpayers through categorical eligibility programs such as senior citizens exemptions. This information should be disclosed so that users may be cognizant of the full extent to which such programs reduce gross tax revenues. Such information would be valuable data in trying to understand a government's resource and tax revenue picture. We would encourage GASB to develop additional projects to build upon this first step into the area of tax abatements.

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. A majority of the FMSB members approved of the issuance of this letter. If there are any questions regarding the comments in this letter, please contact Steven E. Sossei, CPA, and AGA's staff liaison for the FMSB, at ssossei@agacgfm.org or at 518-522-9968.

Sincerely,

A handwritten signature in cursive script that reads "Lealan Miller".

Lealan Miller, CGFM, CPA
Chair- AGA Financial Management Standards Board

cc: William Miller, CGFM
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

July 2014 – June 2015

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