



Timothy Keller
State Auditor

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Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR
Elected for Better Government

January 30, 2015

Sent via email to: director@gasb.org

RE: Project No. 19-20E

Director
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Dear GASB Director:

Thank you for the opportunity to offer our general support for the proposals included in GASB's draft on tax abatement disclosures and to support GASB to implement changes to the final requirement.

Tax abatement affects the New Mexico state budget and our state's economic development efforts. The New Mexico State Auditor's Office currently receives some tax information. However, the current lack of uniform data reporting makes it difficult to evaluate the overall impact of tax abatements on state finances, determine return on investment, and make comparisons to other state governments. The inclusion of standardized information on tax abatements in comprehensive annual financial reports could provide the state with important financial information necessary for fiscal accountability and performance evaluation.

The GASB proposals in the exposure draft focus on tax abatements and do not currently apply to tax exemptions. However, we would request the definition of "tax abatement" included in the exposure draft include the following forms of subsidies under the definition of tax abatement:

- Personal income tax diversions to employers (e.g., high wage tax credit),
- Sales tax diversions to retailers (non-TIF),
- Tax increment financing (TIF),
- Payments in lieu of taxes, and
- Performance-based incentives (e.g., film tax and manufacturers' investment tax credits).

One example of such an abatement type employed in New Mexico is tax increment financing, known as Tax Increment Development Districts (TIDDs). Unlike states that provide for the TIF diversion of one tax (property), at one level of government (local), TIDDs can capture two taxes (property and gross receipts) at three levels of government (city, county and state). We would request that TIDDs and similar tax abatement structures be covered under GASB's final requirement. Because of the long-term financial exposure of TIDDs and other tax abatement structures, we encourage GASB to require future-year liability disclosure to assist with determining long-term return on investment and provision of financial information that impacts the State of New Mexico.

We appreciate the opportunity to express our support of GASB proposals in the exposure draft and highlight additional ways the proposals could be useful in our state. Thank you for your consideration of these recommendations.

Sincerely,

A handwritten signature in cursive script that reads "Timothy Keller". The signature is written in black ink and includes a long horizontal flourish at the end.

Timothy Keller
State Auditor