



GOVERNMENT FINANCE OFFICERS ASSOCIATION OF TEXAS

January 23, 2015

Director of Technical and Research Activities
Governmental Accounting Standards Board
RE: Project No. 19-20E
Via email to director@gasb.org

The Financial Reporting and Regulatory Response Committee of the Government Finance Officers Association of Texas (“GFOAT”) would like to take this opportunity to respond to GASB’s Proposed Statement on concepts related to “*Tax Abatement Disclosures*.” The GFOAT is an affiliate of the national Government Finance Officers Association (“GFOA”) and the Texas Municipal League. The GFOAT’s over 1,000 members represent all levels of state and local government in Texas. Additionally, GFOAT membership represents associates from the audit profession, the investment community, the underwriting community, and a variety of other private-sector finance professionals.

GFOAT compliments GASB on another well thought out document that is written in a way that is easy to understand and should prove simple for a majority of governments to implement. The GFOAT expresses the following concerns related to the document that we believe the GASB should deliberate more fully before issuing a final document, and offers an alternative that we believe would address the majority of these concerns.

First, the GFOAT questions whether the focus of the Statement meets the definition of information which is essential to the financial statements. General Purpose Financial Statements present, by definition, summarized financial information and the Notes should be essential to understanding the financial information presented. As noted in the Basis for Conclusions, tax abatements are a subset of a broader class of reductions in tax revenues, some of which are mandated and some of which are voluntary. In Texas, limits on changes in appraised homestead values, policies exempting school and religious properties, mandatory and voluntary exemptions for senior citizens and the disabled, as well as exemptions for agricultural use can all dwarf the amount of revenue that is voluntarily abated by a government. As such, the proposed disclosures can be misleading as they only tell a portion of the revenue capacity story. Also, rebates based on sales tax disclosures may be prohibited by state law.

The GFOAT believes that detailed information about tax abatements, because they are a subset of a broader class of tax reductions, would be in essence “nice-to-have” information

rather than “essential” information, and would not, in and of itself, provide a fuller understanding of the inflows or outflows reported in the basic financial statements. The GASB should be cautious about focusing on the inclusion of “nice-to-have” information, as it opens up the possibilities to expand the Notes for the requests of many different individual subsets of users. This would expand the Notes exponentially, lessening their value due to the overwhelming amount of information being presented. Also, much of the information on the broader class of tax reductions is already available, and can be found in other financial documents, such as budget and bond offering statements, or may be available from local tax appraisal districts.

The GFOAT also believes that the Notes are limited by their focus on providing detailed information on a single point in time or a single reporting period. As such, the proposal will not allow users to have a context about whether the existence of current abatements will impact the reporting government’s ability to raise future resources, and will only provide context for the current year’s revenues. The GFOAT believes that providing trend data will best provide the appropriate context to interpret the impact of tax abatements as a user can see the value of abatements compared to the total tax base over time.

The Statistical Section of the financial statements includes information about the government’s revenue capacity, including data about the property tax rate, differing classes of rate bases such as residential and commercial property, property that has been exempted from taxation, details about levies and actual collections, and information about the primary taxpayers. The GFOAT believes that the information requested in the Proposed Statement falls in line with the kinds of disclosures already included in the Statistical Section of financial statements, and additional information about revenue base should be included in the Statistical Section rather than in the Notes. This treatment has the added advantage of being able to show trends in the value of reductions in tax revenues rather than just a point in time reference.

In conclusion, the GFOAT does not believe that the Proposed Statement is necessary because information about tax reductions is generally available from other sources of financial information. Focusing on providing detail about a subset of tax reductions is not essential to financial statements and does not meet the criteria for inclusion in the Notes. If the GASB wants governments to provide additional context about revenue capacity, the appropriate area is the Statistical Section, although GFOAT believes that governments should be given flexibility to include information about reductions and abatements so as to provide a full picture of reductions in revenue capacity, whether mandated or voluntary.

Again, GFOAT thanks you for the opportunity to provide feedback on these important accounting issues.

Respectfully:
(submitted via email)

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