

American Federation of Labor and Congress of Industrial Organizations



815 Sixteenth Street, N.W.
Washington, D.C. 20006
(202) 637-5000
www.aflcio.org

EXECUTIVE COUNCIL

RICHARD L. TRUMKA
PRESIDENT

Michael Sacco
Harold Schaitberger
Leo W. Gerard
Nancy Wohlforth
Randi Weingarten
Patrick D. Finley
Ken Howard
James Andrews
Walter W. Wise
Joseph J. Nigro
Laura Reyes
Kenneth Rigmaiden
Bhairavi Desai
Harry Lombardo

ELIZABETH H. SHULER
SECRETARY-TREASURER

Michael Goodwin
Edwin D. Hill
William Hite
Rose Ann DeMoro
Rogelio "Roy" A. Flores
Newton B. Jones
James Boland
Maria Elena Durazo
Lawrence J. Hanley
James Callahan
J. David Cox
Stuart Appelbaum
James Grogan
Dennis D. Williams

TEFERE GEBRE
EXECUTIVE VICE PRESIDENT

Robert A. Scardelletti
Clyde Rivers
Larry Cohen
Fred Redmond
Fredric V. Rolando
D. Michael Langford
Bruce R. Smith
Terry O'Sullivan
Lorretta Johnson
DeMaurice Smith
David Durkee
Joseph T. Hansen
Paul Rinaldi

R. Thomas Buffenbarger
Cecil Roberts
Gregory J. Junemann
Matthew Loeb
Diann Woodard
Baldemar Velasquez
Lee A. Saunders
Veda Shook
Capt. Lee Moak
Sean McGarvey
D. Taylor
Harold Daggett
Mark Dimondstein

January 30, 2015

Sent via Electronic Mail
director@gasb.org

David R. Bean
Director of Research and Technical Activities
Project No. 19-20E
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Statement on Tax Abatement Disclosures Project No. 19-20E

Dear Mr. Bean:

On behalf of the American Federation of Labor and Congress of Industrial Organizations (the "AFL-CIO"), I appreciate the opportunity to comment on the Government Accounting Standards Board's ("GASB") exposure draft for a proposed statement on tax abatement disclosures. In an era of fiscal strain for state and local governments, with implications for policy makers, investors, and the general public, we believe it is critical that the public should have full information about the costs of tax subsidies that are provided to businesses.

While we support the proposed GASB standard, we urge you to strengthen it so that all tax abatements are fully accounted for. Under the current definition of "tax abatement" in the proposed standards, several kinds of business subsidies such as tax increment financing, diverted property or sales taxes, payments in lieu of taxes, and diverted personal income taxes would not be covered. We recommend that GASB adopt stronger language to clarify that all abatement programs that reduce tax revenues to state and local governments will be subject to reporting.

We also believe the proposed standard should require government entities to report on the long-term cost of tax subsidies for businesses at the present value of total future liabilities. The current proposed rule requires reporting only a single year snapshot of lost revenue. GASB's other rules, such as for pensions and other post-employment benefits, require projections about future liabilities. Because economic development programs often commit future revenues for 10 to 20 years, the long-term tax break agreements by states and municipalities should also be fully accounted for. Any other approach would be inconsistent with the position that GASB has taken on other matters that it has determined are long-term liabilities.

Finally, we recommend that the GASB standard require recipient-specific disclosure of material tax abatements. Recipient-specific disclosure is necessary so that users of GASB statements can better understand the nature of, and risks associated with, a particular government's economic development portfolio, since in many cases very few recipients receive a disproportionate share of a government's tax abatements.

Thank you for the opportunity to comment on the GASB Proposed Statement on Tax Abatement Disclosures Project. If I can provide any additional information on the AFL-CIO's views, please contact me at (202) 637-3953.

Sincerely,

A handwritten signature in black ink, appearing to read "Damon Silvers", with a long horizontal flourish extending to the right.

Damon Silvers
Director of Policy and Special Counsel
AFL-CIO