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January 29, 2015

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

RE: Project No. 19-20E: Proposed Statement of Governmental Accounting Standards Regarding Tax Abatement Disclosures

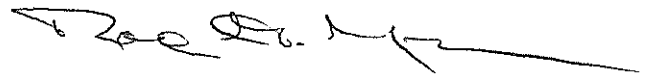
Gentlemen:

Please see the enclosed letter of comment on behalf of the Henry County Development Authority, regarding the Boards proposed Statement of Governmental Accounting Standards on Tax Abatement Disclosures.

Thank you for the opportunity to present comments for review and consideration by the Board.

Sincerely,

MEADOWS & MACIE, P.C.



Rod G. Meadows

RGM/cr

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RE: Project No. 19-20E: Proposed Statement of Governmental Accounting Standards Regarding Tax Abatement Disclosures

Gentlemen:

This firm serves as General Counsel to the Henry County Development Authority ("HCDA"), who has requested that we file the following written comments to your proposed Tax Abatement Disclosure Standard described in the Exposure Draft dated October 20, 2014 (the "Exposure Draft").

First: Unlike many other states, the State of Georgia does not authorize local Development Authorities to grant tax abatements, exclusions, credits, rebates or reductions, and therefore would seem not to be subject to the disclosure standard. However, the HCDA is concerned that, in light of your comments in Appendix B, Section B.10, (...this Statement should focus on the substance of the transaction rather than on their form or label.), it is likely that an accounting firm would erroneously determine that the acquisition and leasing of property by a Development Authority in Georgia (usually in consideration for the issuance of bonds), was subject to disclosure¹. With certain exceptions, property titled in the name of a local Development Authority is exempt from property taxes. However, the value of the leasehold estate held by a private party is taxable in an amount determined by the local Board of Tax Assessors in accordance with applicable law. While the private party leasing such property may experience a reduction in property taxes as compared to the amount of property taxes payable if it owned the property outright, such reduction occurs by virtue of the

¹ It should be noted that the detailed terms of all bond issues involved in such transactions are already subject to disclosure through the judicial validation process (with its attendant public notice) and in annual reports to the Georgia Department of Community Affairs.

transaction structure and long-established general property tax laws and not pursuant to state or local laws or ordinances adopted for the purpose of incentivizing economic development.

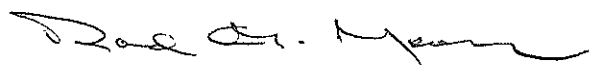
Secondly: Regardless of whether or not such transactions are subject to the proposed disclosure standard, the HCDA is of the opinion that the proposed disclosure is materially misleading in that it requires the disclosure of the purported tax revenue lost by virtue of such incentives, without acknowledging the concurrent tax and other benefits obtained by the community “but for” the granting of the subject incentive. In fact, in almost all instances, tax revenues in connection with such transactions increase by virtue of the development of unimproved property. Such increased tax revenues would of course be included under general tax revenues in financial statements of the political subdivision, but would not be otherwise identified. However, a significant consideration for entering into such transactions is often the creation of new jobs and the general increase in local commerce, particularly that caused by the construction and/or equipping of property improvements and, upon completion of the development, the consumption of additional supplies, materials, and services. Such projects often have a positive effect on other tax collections, including local and state sales and use taxes, and employment and income taxes. Often these projects have ripple effects on additional property development by suppliers, employees and others. All of these positive tax and other benefits are not taken into consideration by the proposed Tax Abatement Disclosure Standard and the HCDA believes that their omission would make any mere disclosure of “lost” revenues grossly misleading and would actually undermine GFOA’s stated goals of improving financial disclosure by enhancing an ability to assess the local government’s financial position or its ability to raise resources and meet its financial obligations. While it might be possible to include related property tax revenue increases in any tax abatement disclosure, the calculation of the other directly related benefits would be both and extremely difficult and expensive for local communities to undertake. The HCDA believes that the substantive aspect of this portion of its comments is consistent with those adopted by the Government Finance Officers Association (“GFOA”), and thus adopts and incorporates the GFOA’s comments as a more detailed statement of this concern.

Should the Board continue its consideration of the subject standard, the HCDA urges the GASB to modify its proposal, 1) to clarify that it only applies to tax abatements in those states or localities where abatements are specifically authorized by law, and; 2) to also provide for the concurrent disclosure of the actual tax benefits created as a result of the project for which tax abatements or other incentives are provided, as well as the right, but not the obligation, to provide estimates of additional tax and other benefits derived from the construction and operation of the projects receiving such incentives.

Thank you for your consideration of this comment.

Sincerely,

MEADOWS & MACIE, P.C.



Rod G. Meadows

RGM/cr

cc: Henry County Development Authority
CFO, Henry County, Georgia
Georgia Economic Development Law Task Force