



INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS

HAROLD A. SCHAIBERGER
General President

January 30, 2015

Via electronic delivery to: director@gasb.org

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

Re: Project No. 19-20E – Tax Abatement Disclosures

Dear Mr. Bean:

On behalf of the International Association of Firefighters (IAFF), I am writing to comment on the Proposed Statement on Tax Abatement Disclosures.

The International Association of Fire Fighters, headquartered in Washington, DC, is the leading advocate for fire fighters and paramedics throughout North America in regard to wages, benefits, safety, and training. The IAFF represents more than 300,000 full-time professional fire fighters and paramedics who protect communities in every state in the United States and throughout Canada.

I write to express the IAFF's strong support of GASB's Exposure Draft on Tax Abatement Disclosures. We note that tax abatements and similar transactions have grown to be a significant portion of the activity of many governments, causing current and future constraints on revenue and often committing the government to extensive additional costs – all with virtually no transparency at the time the abatement is provided or in future years.

We recognize that many economic activities are encouraged and assisted by these abatements including new factories, enterprise zones and business start-up labs, however, the substantial growth in the use of these incentives for a wide variety of projects without any disclosure invites major problems. The lack of transparency also allows for adverse outcomes to be easily hidden. Thus, we are encouraged that GASB is issuing standards to require the disclosure of these tax diversion arrangements.

We believe, however, that there are several areas where these proposed standards should be enhanced:

- First, there are many arrangements that should require disclosure but do not meet the Standard's definition of a "tax abatement" as currently written in the draft. These arrangements should include personal income tax diversion programs, sales tax diversion programs, tax

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increment financing (TIF), performance based awards (at the time they are awarded, not just when payments are made), payments in lieu of taxes and any other type of incentives which reduce the government's revenue and will most certainly increase its expenses. While not a "tax abatement" as defined in the proposed statement, we believe that these arrangements should be disclosed as they limit the government's revenue and the government may be required to provide additional services as part of the arrangement.

- Second, tax abatements are typically long term commitments, with taxes often abated for decades. Thus, we believe that it is imperative that not just the current year's costs be disclosed but that pro-forma projections of the foregone taxes are included in the financial statement. Thus, we suggest that year-by-year projections of the cost of any abatement, for the life of the abatement be disclosed and updated over the time that the abatement is in place.
- Third, while the Standard requires the disclosure of the types of commitments (other than tax abatements) made by the reporting government, as well as the disclosure of the most significant individual commitments, we believe that disclosure of the expected cost of ordinary services should also be required. For example, a tax abatement to allow for the creation of a new factory will often require the reporting government to provide additional public services, infrastructure, and maintenance.
- Fourth, disclosure of the recipients of the tax abatement should be required both to improve transparency and to show the potential financial risk to the government of any concentration of tax abatements with a single firm, project, or industry.
- Finally, while GASB has required income statement charges for other long term commitments such as pension and post-retirement medical liabilities, the only charge to the income statement from the tax abatements is for costs or foregone income in the current year. Since many of these arrangements commit the government to long term cost, in the interest of transparency we believe that the government should be required to project the total cost of the tax abatement over the duration of the agreement.

We note that many of these topics have been addressed by other commentators and particularly note Good Job First's suggested change to the definition of tax abatement. We strongly support this suggested change and urge that it should be adopted.

In conclusion, while we believe that this is a good first step in improving the accounting for tax abatements and similar off-balance sheet government commitments, we encourage GASB to consider the suggested enhancements to the proposed standard.

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We appreciate the opportunity to comment on the Exposure Draft and welcome any questions you may have.

Sincerely,

A handwritten signature in blue ink that reads "Harold A. Schaitberger". The signature is written in a cursive style with a large initial 'H' and a long, sweeping underline.

Harold A. Schaitberger
General President
International Association of Fire Fighters