

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:

I write to voice my strong support for the proposals included in the GASB's exposure draft on tax abatement disclosures and to offer recommendations for improvement.

Tax abatement deals continue to have long-term implications for the New Mexico state budget and for the overall direction of our state's economic development efforts. As New Mexico's State Treasurer for the last eight years, I saw financial and other information on various economic development subsidies. However, these isolated reports make it difficult to evaluate the overall impact of abatements on state finances, observe trends over time and make comparisons to other governments. The present lack of uniform disclosure impairs our ability to make informed decisions about our budget and about our state's competitiveness. The inclusion of standardized information on tax abatements in comprehensive annual financial reports will provide New Mexico with sorely needed, user-friendly information that will allow for more-informed long-term budgetary planning.

I understand that the proposals focus on tax abatements, as you define them, and would not apply to broad, categorical tax exemptions. However, I am concerned that the narrow definition of "abatement" included in the exposure draft would arbitrarily exclude several abatement types – some of which we utilize already and others which we may utilize in the future – from the final requirement and hamper meaningful disclosure. Therefore, I urge the GASB to ensure the inclusion of the following forms of subsidies under the definition of tax abatement:

- Tax increment financing (TIF, one deal alone in our state has been authorized at \$500 million)
- Performance-based incentives (such as our Film Tax Credit and our Manufacturer's Investment Tax Credit) ;
- Personal income tax diversions to employers (such as our High Wage Tax Credit, which is poorly disclosed);
- Sales tax diversions to retailers (non-TIF); and
- Payments in lieu of taxes or PILOTs (which we also have, such as Intel's PILOT deal in the Albuquerque suburb of Rio Rancho).

One example of such an abatement type utilized in New Mexico is tax increment financing, known as Tax Increment Development Districts (TIDDs) in our state. Unlike most 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). Our Gross Receipts Tax (GRT) provided 32 percent of the state's recurring general fund revenue in FY 2007, meaning that New Mexico's TID deals – some of the largest in the nation that last for 25 years and claim hundreds of millions of dollars in GRT – have a profound, long-term impact on the state's general fund and should absolutely be covered under the GASB's final requirement. One project in Albuquerque, Mesa del Sol (Forest City Enterprises), has been legislatively authorized at \$500 million.

Furthermore, because of the sometimes very long-term nature of TIDs and other abatement deals, I strongly encourage the GASB to require future-year liability disclosure. Information on the future impact of abatement deals will be extraordinarily helpful in facilitating better long-term decision making around our state budget.

Finally, I recommend that the GASB standard require recipient-specific disclosures of tax abatements. This will help us better understand the risks associated with our investments in economic development and help us improve accountability.

I thank the GASB for taking this step towards improved transparency and good government.

Sincerely,

James B. Lewis
Treasurer, State of New Mexico, 1986-1990 and 2006-2014