

**From:** Kiehl, Anna Maria  
**Sent:** Monday, February 02, 2015  
**To:** Director - GASB  
**Subject:** Pennsylvania's comments on GASB's Tax Abatement Disclosures Exposure Draft for GASB

Good afternoon Dave,

We are pleased to provide comments on the Governmental Accounting Standards Board's (GASB's) Exposure Draft (ED) regarding Tax Abatement Disclosures, issued on October 20, 2014.

We believe the proposed Statement's intentions are well intended in providing transparency for tax abatement programs; however, we offer the following comments that we believe the GASB should consider as it finalizes this Statement. GASB should bear in mind, with the downsizing of the government workforce, that a reasonable approach should be taken for the proposed disclosure requirements. As the ED proposal stands, the numerous disclosures are burdensome, impractical, and in some instances, could have negative effects on the intended outcomes of such programs.

We offer the following specific comments that we believe the board should consider as it finalizes this statement:

Disclosure of tax abatement agreements made by other governments that reduce reporting government's tax revenues

Paragraph 3.(b) requires the reporting government to report all agreements entered into by other governments, if it reduces the reporting government's tax revenues. This creates an additional tracking and reporting burden not only to the reporting government, but also to the other government entering into such agreement, so they ensure that any/all governments affected by the agreement are notified accordingly. We believe this disclosure requirement should be deleted from the ED, or at the very minimum, made optional.

Disclosure of tax abatement eligibility criteria

Paragraph 6.a.(3) indicates a disclosure of tax abatement eligibility criteria should be included. This one disclosure alone could encompass a very lengthy discussion, as some tax abatement eligibility criteria are rather extensive and complex. We do not see the value this specific disclosure provides to the user of the financial statements.

Disclosure of commitments other than to reduce taxes

Paragraph 6.d indicates a disclosure of commitments other than to reduce taxes, as well as the most significant individual commitments of this nature. Governments often obligate substantial additional monies to tax-abated economic development projects. The ED would have governments report such commitments, which could span dozens of projects as well as multiple years (until the commitment is

fulfilled). The requirement to track, compile and disclose these costs has enormous cost implications, and we question the cost versus the benefit provided to the user of the financial statements.

Overall observation regarding the requirement for tax abatement disclosures

While we agree that some transparency for tax abatement programs is desirable, we would also like to point out that governments use tax abatement programs as a creative way to stimulate economic development, with a long term goal of not only stimulating the economy, but also of reducing unemployment rates. By providing the extensive disclosures as required in the ED, the GASB will be forcing governments to reveal some details they consider “proprietary” in attracting new business to their jurisdiction, thereby having an unintended negative impact on such programs.

Many states already disclose tax abatement information via website links

The Pennsylvania Department of Revenue maintains a website with a list of the major tax abatements at <http://www.revenue.pa.gov/GeneralTaxInformation/IncentivesCreditsPrograms/Pages/Tax-Credits.aspx#.VJBhsKMo5oI>. Also, the Pennsylvania Department of Community & Economic Development maintains a website where one may view every entity which the Commonwealth of Pennsylvania has a current tax abatement agreement with and the dollar amount awarded life-to-date for the program, at <http://www.dced.state.pa.us/investmenttracker/Default.aspx>. Therefore, we take exception to the numerous and burdensome disclosures that, for the most part, are already disclosed in the aforementioned websites. A more cost effective approach would be to provide internet links to existing reports that provide the required information, with minimal disclosures provided in the notes to the financial statements themselves, which will also address the concern over the growing number and size of disclosures required in the financial statement footnotes.

Overall, while we somewhat concur with the need for tax abatement transparency, we believe this need can and should be satisfied utilizing internet links.

We appreciate the opportunity to comment on this document and hope you find our comments helpful. Please contact Michael Burns with any questions at [mburns@pa.gov](mailto:mburns@pa.gov) or me at [akiehl@pa.gov](mailto:akiehl@pa.gov).

Warm regards,

Anna Maria