



January 30, 2015

Director of Research and Technical Activities,  
Governmental Accounting Standards Board  
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Reg. Project No. 19-20E

Dear Director:

Thank you for the opportunity to comment on your proposed "Tax Abatement Disclosure" standards.

I am president of the Tennessee Education Association. In that capacity I am writing to express our support for your proposal to require government bodies to disclose costs of economic development tax abatements. We also support provisions included in paragraph B14 (disclosure of revenue lost by government bodies as the result of actions of other government bodies). This rule would apply to school districts across the state of Tennessee. We strongly believe that this proposed disclosure will generate information that currently is not disclosed anywhere else. This will enable us to better analyze local fiscal conditions by having a better understanding of the sources and amounts of revenue our communities and schools lose each year to various economic development tax abatements.

We would ask the GASB to consider an improvement to this part of the standard, however. Instead of requiring school boards and other such bodies to report only one aggregate dollar figure for the revenue they lose to multiple programs, we recommend that a figure be reported for each contributing program at each abating government that contributes to such losses.

There is currently no systematic way in Tennessee in which local governments report on lost revenue due to economic development tax abatements. For example, the Tennessee State Board of Equalization voluntarily publishes a list of all PILOTs, or payments in lieu of taxes, agreements (a.k.a property tax abatements) in our state. To our knowledge, this disclosure is exceptional and seldom found in other states. We can retrieve important information from it, like the fact that there were about 800 PILOT agreements in the state of Tennessee in 2013. The Board's disclosure, however, does not include data on the amount of property taxes abated, but only includes data on fees paid in lieu of those taxes to counties and cities by each entity.<sup>1</sup>

As you may also be aware, estimates of property tax abatement (PILOT) costs exist for some localities in Tennessee only because of research done by third party groups. For example, an independent non-profit

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<sup>1</sup> See for example "IDB/H&ED Report 2013" available at <http://www.comptroller.tn.gov/sboe/idbsumm.asp>

research organization Good Jobs First estimated that the City of Memphis lost about \$42 million, or about 14 percent of the city's property tax base, to PILOT agreements in 2013.<sup>1</sup> If not for that research, we would not know the scale of the revenue lost by the city (the City government does not disclose costs of its all PILOTs). This shows how important it is to require government bodies to officially disclose the costs of economic development tax abatements in a structured and uniform manner.

We would like to also make sure that your proposed rules do not exclude by accident property tax abatements structured as PILOTs. This above-mentioned economic development tool is widely used in our state (again, there were about 800 such agreements in our state as of 2013). Because in Tennessee the state constitution forbids property tax abatements, counties and cities enter into economic development agreements with private companies, in which government bodies take title to properties, making them tax-exempt; they are then rented back to private taxpayers for a fee. Because this program facially does not lower a company's tax obligation, since it cannot owe property taxes on a public structure, we fear that it might escape your coverage (per paragraph B8 in your *Exposure Draft*). Therefore, we urge you to strengthen definitions in your *Exposure Draft* to ensure that all such economic development tax expenditures, which reduce tax revenue pursuant to an agreement between a government and a taxpayer, are included.

We also urge you to require disclosure of the future revenue lost to economic development tax abatements. The State Board of Equalization data mentioned above includes PILOT agreements with end-dates after 2050. To be able to responsibly plan for the future of our schools and communities, we need to know how much revenue our governments will not collect in future years.

We hope you will consider our suggestions. Again, we strongly support the rules to require disclosure of economic development tax abatement costs, as well as disclosure of revenue lost by government bodies as the result of actions of other bodies of government.

Sincerely,



Dr. Barbara Gray

President

Tennessee Education Association

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<sup>1</sup> Thomas C., Tarczynska K., Mattera P., Leroy G. (2014). Memphis Blues: How Corporate Property Tax Breaks and Stadium Subsidies are Sapping the City's Fiscal Strength. *Good Jobs First*. Online at: <http://www.goodjobsfirst.org/sites/default/files/docs/pdf/memphisblues.pdf>