



CITY OF NEW YORK

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
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Dear Mr. Bean:

This letter is being submitted jointly by The Office of Management and Budget and the Office of the Comptroller of The City of New York. We are grateful for the opportunity to comment on the Exposure Draft entitled *Proposed Statement of the Governmental Accounting Standards Board (GASB) Tax Abatement Disclosures* (the "ED").

First, we would like to state that both offices are in agreement with the intent and basic approach of the ED proposals. We believe that this ED would improve financial reporting and make tax abatement transactions more transparent to financial statement users. Before the finalization of the Standards proposed in the ED, we are glad to provide the following comments and recommendations:

1. The required organization/grouping of abatement programs is unclear.

Paragraph 5.c. says that reporting should be "by each major tax abatement program, such as an economic development program or a television and film production incentive program." However, those groupings are not mutually exclusive. Abatement programs aimed at increasing activity in specific industries, such as television and film production, are operated for the purpose of economic development. Even housing programs may be undertaken to increase affordable housing for moderate-income workers to encourage industries that employ them to locate or expand in the area. Such examples of groupings may confuse reporting governments. Alternative groupings might be by targeted industry (film, high technology, and health care) or community "amenities" such as affordable housing, full-service supermarkets, other retail, and public space. Clearer examples of how to organize different tax abatement programs or agreements should be provided.

2. The distinction between those abatement agreements entered into by the reporting government versus those that are entered into by other governments is unclear.

If it is read as being about senior or subordinate levels of government being able to enter into agreements that affect each other's taxes, the distinction seems clear and the treatment in the ED appropriate. However, the language seems to also encompass interlinking government entities that essentially act on behalf of one or more primary governments, such as a regional industrial development agency ("IDA"). Would such special purpose governments that are included in a reporting government's financial statements as component units be considered "other governments"? Would the answer be different for blended vs. discrete component units? For example, in New York City, an IDA has been established under State law for the purpose of administering abatement programs such as PILOT agreements and State and City sales tax exemptions (in addition to conduit debt programs). How should those be reported, as NYC abatements or as abatements by another government?

3. The disclosure timeframe on commitments other than to reduce taxes should be extended.

The ED requires that "A description of the types of commitments other than to reduce taxes, should be disclosed until the reporting government has fulfilled the commitment." However, we believe that a government should disclose the types of other commitments that it has made until the tax abatement agreement expires even if the reporting government has fulfilled those commitments. For example, the reporting government agrees to reduce tax and provide other commitments by signing an agreement with an entity from 2014 to 2016. The reporting government fulfills the other commitments in 2015 and stops reporting it in 2016. The financial statement users in 2016 will not have any information about the other commitments made by the government and may take the tax reduction as having been the government's sole commitment related to the program.

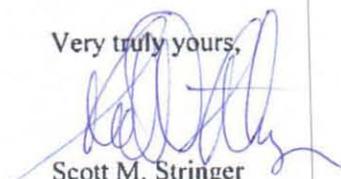
We would be pleased to answer any questions you may have about these comments, or to discuss them with GASB staff. Please contact the following individuals for any purpose related to this matter:

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Thank you for your consideration of our comments

Very truly yours,


Scott M. Stringer
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