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Mr. David R. Bean, CPA
Director of Research and Technical Activities, Project No. 19-20E
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

I am writing on behalf of the New York City Independent Budget Office (IBO) in response to your request for comments on GASB's proposed statement on tax abatement disclosures. IBO is a non-partisan, publicly funded agency that provides information about New York City's budget to the public and elected officials.

For more than two decades, New York City's Department of Finance has produced an annual report on the value of tax expenditure agreements entered into by the city. This report is mandated by the New York City Charter and largely focuses on incentives that are available as-of-right. In addition to the tax expenditure report, the city's Economic Development Corporation—a non-profit corporation under contract with New York City—is required to produce an annual report on the discretionary economic incentives, including tax benefits, that the city's component parts agree to provide to encourage firms to do business in New York City. This report is referred to as the "Local Law 62 Report." These two reports, while somewhat different in format and the data reported, have proven to be vital tools in our work. They allow our analysts to quickly access information about the city's incentive programs and to identify topics worthy of further research.

The data found in these reports is similar to what governments would be required to disclose under the proposed statement, and in many ways, could represent models for how the proposal could be implemented elsewhere. Given our experience in working with the reports, we would like to offer several comments and suggestions:

- **Component Units:** GASB should require state and local governments to disclose the same level of information about abatements granted by their component units as it does for abatements granted by the governments themselves. Increasingly, discretionary tax incentives are awarded through quasi-governmental component units, such as authorities, public benefit corporations and industrial development agencies. Though technically separate entities, component units are wholly controlled by elected officials and enact policy on behalf of governments. Extending the

standard to these quasi-governmental entities would ensure that governments present a complete, accurate and standardized accounting of their abatement agreements, regardless of whether they were approved by a legislative body, an executive agency, or a component unit.

- **Timeliness:** GASB should provide guidance on the period in which governments are required to report information. Some state and local governments may not be able to report the dollar amount of taxes abated during the current period in their annual financial statements. New York's tax expenditure report, for example, reports the value of business, sales, and personal income tax incentives with a three- to four-year delay.
- **Privacy:** New York's tax expenditure report also suppresses the number of agreements and dollar value of abatements if there are a small number of beneficiaries or if the total value of the expenditure is less than \$1 million. This is done to protect confidential information about individual taxpayers, particularly in the case of personal or business income tax incentives. GASB should provide guidance on how and whether governments can suppress data and how to balance the public's right to information with taxpayers' right to privacy about the details of their tax bills.
- **As-of Right Expenditures:** The proposed rule defines a tax abatement as "resulting from an agreement between a government and a taxpayer..." and precludes abatements that are granted as-of-right, for example, due to a project's location. As-of-right tax expenditures are a significant source of forgone tax revenue in New York City and GASB should consider including these expenditures in the required reporting.
- **PILOTs, Land Sales, and Leases:** Finally, it would be worth expanding the definition of abatements to include agreements in which governments forgo non-tax revenue in the pursuit of specific policy objectives. Two financing tools that stand out as worthy of inclusion are payment-in-lieu-of-tax agreements, which frequently function as abatements by allowing a discount from the statutory tax liability, and the sale or ground leasing of public land for less than its appraised value.

Thank you for the opportunity to comment on the proposed statement. Required reporting of on tax abatements will improve transparency and provide a clearer picture of the financial position of state and local governments.

Sincerely,



Ronnie Lowenstein
Director