

December 22, 2014

Sent via email to: director@gasb.org

RE: Project No. 19-20E

Mr. David R. Bean, CPA
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean,

I am writing to commend GASB's progress on its Tax Abatement Disclosure project, and to comment on GASB's *Exposure Draft on Tax Abatement Disclosures*. The Maine Center for Economic Policy (MECEP) is a nonpartisan, nonprofit research and policy organization dedicated to improving the economic well-being of low- and moderate-income Mainers. We have researched tax expenditures for more than a decade and advocated for more accountability and transparency for tax expenditures of all types, but especially those explicitly created to promote economic development. As MECEP's executive director, I recently served on the Maine Tax Expenditure Review Task Force, created by the Maine legislature in 2013 (PL 2013, c. 368, Part S) to evaluate tax expenditures, review best practices and standardized criteria used by other states for measuring the effectiveness of tax expenditures, and accomplish several other objectives related to Maine's tax expenditures.

I am writing to share a concern about one of our economic development expenditures, Employment Tax Increment Financing (ETIF), which I believe would inadvertently escape GASB's "tax abatement" definition as currently drafted. The ETIF program diverts a share of employees' state personal income taxes away from the state treasury and instead to private employers that qualify for ETIF.

By every measure we read of your definitional intentions, the ETIF program is a tax abatement: It is awarded pursuant to an agreement between the state of Maine and specific companies. The state agrees to receive reduced tax revenues; and the companies agree to create or retain jobs as a quid pro quo.

However, the ETIF may not meet a key part of the definition of a tax abatement as currently written in the Exposure Draft: "one or more governmental entities forgo revenues from taxes for which the taxpayer otherwise would have been obligated." Under Maine's ETIF program, the taxes in question are not those of the company, but rather the state personal income taxes to have been paid by the employees of the company.

Seeing no practical distinction for the purpose of governmental accounting between a tax abatement for economic development that reduces the taxes a company would otherwise have paid and one that reduces the taxes a company would otherwise have remitted on behalf of their employees, I recommend the following amendment to the currently drafted definition of tax abatements, as written in item number 4 of the draft:

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“As used in this Statement, a tax abatement results from an agreement between one or more governmental entities and a taxpayer in which (a) one or more governmental entities promise to forgo revenues from taxes which the taxpayer otherwise would have been obligated or which the taxpayer otherwise would have been obligated to remit to the government on behalf of others, including employees ...” [suggested amendment underlined].

I have two other concerns with the current Exposure Draft. First, I recommend requiring the disclosure of specific companies engaging in tax abatement agreements with public entities. Second, I recommend extending the accounting timeframe for tax abatement disclosures further into the future to provide a better understanding of future obligations under tax abatement programs.

I appreciate the opportunity to comment on the Exposure Draft and I commend GASB for embarking on this tax abatement disclosure project. It is good for public finances and good for the public understanding of tax expenditures. At MECEP, we look forward to the improved financial information that will result from your new standards.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Garrett Martin". The signature is fluid and cursive, with a large initial "G" and "M".

Garrett Martin
Executive Director