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Sent via email to [director@gasb.org](mailto:director@gasb.org)

Mr. David R. Bean, CPA  
Director of Research and Technical Activities  
Governmental Accounting Standards Board  
401 Merritt 7, PO Box 5116  
Norwalk, CT 06856-5166

Dear Mr. Bean:

The Washington Education Association supports the GASB's efforts to require public disclosure of economic development incentives including tax abatement programs. This information is critical to inform citizens and other stakeholders about how a government conducts its financial business. We see the GASB's proposed disclosure requirement as a modest and welcome addition to transparency into public expenditures.

While government officials, and organizations representing them, may claim that tax abatement information is already readily available, our experience differs. While the information may be available – it is typically only provided when specifically requested. Once requested and provided, the information is not presented in a consistent manner, fails to provide adequate information about the magnitude of the abatements, does not allow a user to determine how those tax abatements affect the government's future ability to raise resources and meet its ongoing financial obligations and, what impact the abatements have on a government's financial position.

It is for this reason that we strongly endorse the GASB proposal that such disclosures concerning the treatment of tax abatements must be made as part of an entity's financial statements. Financial statements are the best vehicles for such disclosure, as they will allow interested parties to see all types of economic development tax abatements awarded by state and local governments, with a fair accounting of these subsidies alongside other spending priorities.

We do have a concern that the definition of a tax abatement in Section B12 is too narrow. We are specifically concerned that tax diversions may inadvertently be exempted from the GASB's proposed definition. Tax diversions do not directly lower the tax obligation of participating corporations, but

rather allow them to keep a portion of the taxes they receive from third parties and otherwise would have remitted to governmental entities. In Washington State, one of the primary sources of state and local revenue is in the form of sales tax. If tax diversions were exempted from disclosure, we are concerned that sales tax diversions would be more often utilized to provide economic tax incentives with the same intent, but escape the necessary disclosure. We know the GASB has an interest in ensure that required disclosures be provided on all transactions that are substantively the same, regardless of form. For this reason, **we recommend that you explicitly include these tax diversions within the scope of the pronouncement when issued.**

Section B24 of the proposal notes that data users consulted during the preparation of the document "rated the name of the tax abatement recipient as important information." We agree. In 2012, the State of Washington passed a multi-year, multi-billion dollar tax abatement package for aerospace, contingent upon the siting of a significant commercial airplane manufacturing program within the state. We believe it is both important and necessary that the financial statements of all government entities directly affected by this abatement provide clear, annual disclosures on the specific recipients benefited from this abatement. As you are undoubtedly aware, these large incentive and abatement programs are implemented across the nation. They include deals in Nevada, where Tesla Motors was reportedly provided a billion dollar package; a multi-billion dollar property tax abatement provided to Intel by New Mexico to locate its chip fabrication operations, and other substantial agreements in Tennessee (Volkswagen), Mississippi (Nissan), Pennsylvania (Shell), and Oregon (Intel). We are concerned that without detailed recipient-specific reporting, financial statement aggregation will allow the meaningful details of such abatement programs to continue to be hidden from public view and scrutiny. **We strongly encourage you to reconsider your current position and require the inclusion of recipient details in the final standard.**

**We also urge you to require the disclosure of future-year costs of tax abatement programs to be updated each year based on available information.** These ongoing disclosures will make it possible to meet the intent of the GASB - to shine a light on the government's ability to meet both current and ongoing financial obligations.

Thank you for consideration of these comments. We sincerely appreciate the GASB's efforts to improve government accounting practices and accountability and look forward to seeing the final standards.

Sincerely,



Armand Tiberio  
Executive Director  
Washington Education Association