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Governments Would Disclose Information on Tax Abatements Under GASB Proposal.

Norwalk, CT, October 31, 2014—The Governmental Accounting Standards Board (GASB) issued for public comment an [Exposure Draft](#) of a proposed Statement, Tax Abatement Disclosures, which would require state and local governments for the first time to disclose information about property and other tax abatement agreements.

Governments generally agree to abate or reduce the taxes of businesses and other taxpayers to promote economic development, job growth, redevelopment of blighted or underdeveloped areas, and other actions that are beneficial to the government or its citizens. Many state and local governments currently have tax abatement programs in place and the effects of tax abatements on their financial health and ability to raise revenue can be substantial. However, it is difficult to discern the magnitude and nature of those effects from financial statements at present.

The disclosure requirements proposed by the GASB are designed to provide financial statement users with essential information about these programs. Specifically, the proposed tax abatement disclosure requirements would include:

General descriptive information, such as:

- The tax being abated
- Criteria that must be met for the taxpayer to be eligible for the abatement
- Provisions for recapturing abated taxes
- The types of commitments made by tax abatement recipients
- Number of tax abatement agreements
- Dollar amount of taxes abated
- Other commitments made by a government, such as to build infrastructure assets.

“Tax abatements can significantly reduce the amount of revenue a government receives,” said GASB Chair David A. Vaudt. “But in many cases, little is known publicly about their total size or their terms and conditions. What the Board has proposed would make the financial impact of these transactions much more transparent.”

The proposed guidance addresses tax abatements resulting from agreements entered into by the reporting government, as well as those initiated by other governments that reduce the reporting government’s tax revenues.

The Exposure Draft is available on the GASB website, www.gasb.org. Stakeholders are encouraged to review the proposals and provide comments by January 30, 2015.

[Visit the Tax Abatement Disclosure Webpage.](#)

