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GASB Statement Requires Governments to Disclose Information on Tax Abatements.

Norwalk, CT, August 14, 2015—The Governmental Accounting Standards Board (GASB) has issued final guidance that requires state and local governments for the first time to disclose information about tax abatement agreements.

The disclosure requirements in [GASB Statement No. 77, Tax Abatement Disclosures](#), are designed to provide financial statement users with essential information about these agreements and the impact that they have on a government's finances.

Governments often agree to abate or reduce the taxes of individuals and entities 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 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, until now it has been difficult to determine the extent and nature of these effects from financial statements.

"This new guidance will result in people who use governmental financial statements having access to essential information about the tax abatements governments enter into," said GASB Chair David A. Vaudt. "Not only will this mean that they'll have access to information that will allow them to better assess a government's financial health, but it will also make the impact of these agreements much more apparent."

Statement 77 requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The new disclosures about a government's own tax abatement agreements include:

- The purpose of the tax abatement program
- The tax being abated
- Dollar amount of taxes abated
- Provisions for recapturing abated taxes
- The types of commitments made by tax abatement recipients

Other commitments made by a government in tax abatement agreements, such as to build infrastructure assets.

The new disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues include:

- The name of the government entering into the abatement agreement
- The tax being abated
- Dollar amount of the reporting government's taxes abated.

