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Enhancing Tax Abatement Transparency.

As a follow-on to last week's blog post describing [3 steps economic developers should take to prepare for GASB 77 tax abatement disclosures](#), I want to share a set of recommendations from the Government Finance Officers Association (GFOA) that complement our suggestions for economic development groups.

GFOA is concerned, as we are, that the tax abatement disclosure guidelines will not provide complete information to citizens and other users of government financial reports because they do not include "the justification and expected long-term benefits of tax abatements."

GFOA offers several helpful recommendations on how and where to provide this information. The full, two-page best practice statement from GFOA on Enhancing Tax Abatement Transparency is available [here](#). To summarize the recommendations:

The government should disclose additional tax abatement information in its letter of transmittal

The letter of transmittal accompanies the comprehensive annual financial report (CAFR), which includes the financial note providing the tax abatement disclosure. GFOA suggests that this letter include:

- a reference to other documents where a complete cost/benefit analysis can be found
- an explanation of how tax abatements are accounted for and incorporated into the budget
- a description of policies governing tax abatements, including what the government is hoping to achieve and methods used to determine the return on investment (ROI)
- an identification of those responsible for monitoring compliance with abatement agreements
- an explanation of the relationship between tax abatements and the government's goals as set forth in its strategic plan
- a five-year chart of benefits anticipated and received

The tax abatement information in the letter of transmittal should be simple, straightforward and material

The information should not be duplicative or provide unnecessary detail. Using charts and graphs to supplement written material can be helpful. GFOA also suggests aggregating information by government and tax abatement program, consistent with the GASB guidelines.

Finance staff should communicate with economic development partners

As we said last week, complying with GASB 77 will require cooperation between the economic development organization and the government's finance staff because, in many cases, neither will have all the information necessary to determine the financial disclosure. GFOA is also concerned with ensuring the proper flow of information to comply with disclosure guidelines.

Build relationships and establish a timeline

GASB 77 requires disclosure of tax abatements entered into by other governments that reduce the reporting entity's tax revenues. GFOA recommends establishing relationships with these other governments and creating a timeline for sharing information to prevent reporting delays.

As a reminder, the Governmental Accounting Standards Board (GASB) last year approved [Statement No. 77, Tax Abatement Disclosures](#), which establishes guidance requiring state and local governments to disclose certain information about tax abatement agreements for periods beginning after December 15, 2015.

Check out our previous blog posts on this topic for economic developers:

- [3 steps economic developers should take to prepare for GASB 77 tax abatement disclosures](#)
- [What will tax abatement disclosures mean for economic development groups?](#)
- [Smart Incentives comments on tax abatement disclosure guidelines](#)

Smart Incentives

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