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Despite New Rules to Disclose Corporate Tax Breaks, Just Half of Local Governments Are.

The regulations that took effect this year let governments decide what's worth reporting, leading many to not report anything at all.

Transparency advocates predicted that new rules for governments would result in a treasure trove of data on tax breaks for corporations. But so far, just half of reporting municipalities have disclosed that information.

Of the local government data collected by the tax break transparency group Good Jobs First and analyzed by *Governing*, a little more than 600 of 1,222 governments did not disclose any revenue lost to tax incentives on their annual financial report. Many of them made no mention of the new accounting rule at all. And while others did, they said their losses were "immaterial" and therefore were not reported. (States are subject to the new rule, too. While most have followed disclosures, their data was not included in the analysis.)

Many of these non-reporting governments are major jurisdictions with populations above 1 million, such as Los Angeles County, Calif.; Montgomery County, Md.; and Pima County, Ariz.

The new requirement, called the Governmental Accounting Standards Board (GASB) Statement 77, mandates that governments report their annual lost revenue due to tax abatement agreements. However, the rule allows governments to decide what's "material" to their bottom lines. That, says Good Jobs First's Scott Klinger, is a problem because it's led to a wide variance in what governments report.

For example, Pima County's total tax abatements amounted to $340,000, or less than 0.1 percent of the county's $450 million in revenue, according to Finance Director Keith Dommer. Nearly all of it is due to economic development incentive deals struck by the city of Tucson.

"Pima County doesn't abate taxes as part of economic development or any other programs," he says. "And that's really what the [rule] is about — a lot of governments are using tax abatements as an economic development program, and GASB felt that if you're impairing your ability to generate revenues, someone should know about that."

Unlike Pima, Montgomery County makes its own tax incentive deals, including some well-known ones to keep the headquarters of the hotel giant Marriott International and television company Discovery Inc. Still, its financial report says tax abatement didn't have a "significant impact" on the county's more than $5 billion operating budget.

To be fair, the county does release that information — just not in its annual financial report. It separately produces a tax expenditures report that addresses business enterprise zones — geographic areas in which companies can qualify for a variety of subsidies — and other programs that promote economic development, as well as tax breaks for residents. According to its most recent expenditure report, the county gave up more than $2 million in tax revenue in 2015 as a result of its enterprise zones and job tax credit programs.

The Government Finance Officers Association suggests the enterprise zones are subject to reporting requirements, and indeed other governments have reported them. But Montgomery County spokesman Patrick Lacefield says county officials conducted an internal analysis and consulted with the state and determined that those types of tax incentives don't meet the criteria for financial reporting.

Other governments have a much lower disclosure threshold. The smallest reported loss for any locality — other than the 79 so far reporting zero lostes — was from Austin, Nev. Thanks in large part to the state controller's effort to promote tax abatement disclosures, Austin reported it lost $4 last year from a state renewable energy program.

Meanwhile, some governments cherry pick what they'll report. Washington state, for instance, disclosed more than $333 million in abated tax revenue last year. But those figures are only for incentive programs that topped $10 million in lost revenue. That, says Good Jobs First's Klinger, means a lot of abatements in that state did not get reported.

All this variance in reporting isn't unexpected. After all, it's a new requirement. For its part, GASB has issued guidance clarifying the approach for governments since the new rule went into effect. The guidance includes what types of expenditures — such as certain kinds of tax increment finance districts — count as abatements. But it has been silent on what is material for reporting.

In Klinger's opinion, though, more governments should be like Nevada's Austin. "This is public money," he says. "All of it should be accounted for."

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