Bond Case Briefs

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Some Governments May Hide a Budget Surplus to Justify a Tax Hike.

A new academic study suggests that when local governments collect more in taxes than their budgets require, some finance officials quietly use accounting tricks to make that extra money disappear from public view—not to save it for a rainy day, but to keep the taxes coming.

The research, led by Amanda Beck of Georgia State's Robinson College of Business, along with Xi Chen of the University of Bristol and Gilles Hilary of Georgetown University, examined more than a decade of financial records from over 2,100 U.S. cities and counties.

Their conclusion: Municipal administrators appear to manipulate their own financial statements to downplay budget surpluses, particularly after property values—and the tax revenue that comes with them—rise.

Continue reading.

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