

Government Accounting Standards Board Standard No. 77 (“GASB 77”) will make information about tax abatement agreements at the local government level available for the first time in Fiscal Year 2017 audits. But how can local governments use this new information on a day-to-day basis? The first step is understanding how tax abatements are affecting the government’s finances, both directly and indirectly.

Where? Agencies first need to determine which other government agencies have the ability to abate or impose taxes that affect them. For school districts, hospitals, higher educational institutions and some local public bodies, this will be the counties and municipalities with overlapping boundaries. Your agency should receive a GASB 77 disclosure from every such agency.

What? Agencies next need to determine what their tax revenue streams are. This may include property tax and gross receipts tax, which may be collected and remitted by a county assessor/treasurer or the state’s Taxation and Revenue Department.

Who? Agencies should be preparing and receiving spreadsheets that detail the recipients of any tax abatement agreements that affect the agency’s revenue. From this information, the agency can determine information like whether the recipient is local and how many employees it has.

When? GASB 77 disclosures should indicate the date the abatement agreement was made and how long it lasts, so that your agency can look at the data on a multi-year basis.






How much? GASB 77 disclosures will include the amount of revenue that your agency would have received without the abatement agreement. This is the amount of the “tax expenditure.” In addition, the disclosure should list any payments in lieu of taxes (PILOTs) or similar payments that your agency receives.

Why? GASB 77 disclosures will include a description of the tax abatement agreement’s purpose, meaning the goal it is trying to achieve. This may also require additional research into the laws that created the tax program. Disclosures will also include the promises that the recipient of the abatement made to the government. This might include creating a number of jobs or constructing a facility.





The information in the GASB 77 disclosure are only part of the story: the monetary costs of tax abatements. Your agency must next think about benefits and non-monetary costs that are specific to your situation. For example, if a school district is evaluating a tax abatement agreement that provides incentives to a manufacturer to build a factory within the district, a cost-benefit analysis might look as follows:

**Is this tax program achieving its goals (like creating jobs)?
Is this tax program creating a net benefit to the community?**

Evaluate and Quantify the Benefits

-  New Jobs & Opportunities for Graduates
-  PILOTs (GASB 77)
-  Increased Property Values
-  Better Overall Climate For Learning
-  Increased Funding for More Students

Evaluate and Quantify the Costs

-  Lost Revenue (GASB 77)
-  Increased Personnel Costs
-  Increased Transportation Costs
-  Increased Equipment and Supply Costs

**Can we get data to monitor ongoing costs and benefits?
Do we have a “seat at the table” if the business fails or wants to expand again?**