



GASB 77 COMPLIANCE SOLUTIONS

Meeting First Year Requirements are Critical to Future Reporting

Establishing a systematic all-encompassing three-step process to comply with GASB 77 in the first year the requirements are in effect is critical to ensure accurate and timely reporting in the future. Our experienced consultants are adept at evaluating the financial impacts of tax incentive programs offered at all levels of government.

COMPREHENSIVE TOP-DOWN ANALYSIS

We believe the most efficient approach to complying with GASB 77 starts with a comprehensive top-down analysis of financial incentive agreements (as defined by GASB 77) entered into between the reporting government and its incentive-benefiting participants.



Summary of GASB 77

The Governmental Accounting Standards Board's (GASB) Statement No. 77 "GASB 77" modifies the way state and local governments prepare their financial statements. GASB's goal with the new regulations is to provide government financial statement users with important information about forgone revenue via **tax abatements** and **financial incentives** in order to assess:

- 1 whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity),
- 2 whether a government complied with finance-related legal and contractual obligations,
- 3 where a government's financial resources come from and how it uses them, and
- 4 a government's financial position and economic condition and how they have changed over time.

For financial reporting purposes, GASB 77 defines "tax abatement" as forgone tax revenues from **an agreement between a government and an individual or entity** in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. GASB 77 is not intended to determine the effectiveness of a government's tax abatement or incentive programs.

FIVE KEY TAKEAWAYS

1

Tax abatement agreements must consist of a commitment by the government to reduce taxes and the individual or entity to perform a certain beneficial action. Disclosure requirements do not apply to statutory or "as-of-right" incentives.

2

Reporting governments may choose to disclose information about tax abatement agreements with entities or individuals or in the aggregate.

3

Reporting government must include tax abatements that were entered into by other governments that reduce the reporting government's tax revenue.

4

There is no requirement to disclose future-year liability or tax abatements nor tax abatement recipients, benefits of such tax abatements, or tax abatement agreement terms.

5

Effective for fiscal years beginning after December 15, 2015.



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