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To: Chief Fiscal Officers

From: Division of Local Government and School Accountability

Subject: Reporting Tax Abatements as Required by GASB Statement No. 77

Please provide copies of this bulletin to others who may need this information.

Purpose of Bulletin

The purpose of this bulletin is to provide information to local governments and school districts on the financial statement reporting requirements for tax abatements, as required by Governmental Accounting Standards Board (GASB) [Statement No. 77, Tax Abatement Disclosures](#). This bulletin also identifies several programs in New York that meet GASB's tax abatement definition.

Background

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which established financial statement note disclosure requirements for tax abatement agreements entered into by the reporting government and for agreements entered into by other governments where the reporting government's tax revenues are reduced. This Statement is effective for financial statement reporting periods beginning after December 15, 2015.

Statement No. 77 defined a tax abatement, for financial reporting purposes, as a "reduction in tax revenues that results from an agreement¹ between one or more governments and an individual or entity in which:

- One or more governments promise to forgo tax revenues to which they are otherwise entitled; and

¹ Per Appendix B in Statement No. 77, "tax abatement agreements may be in writing or may be implicitly understood by the government and the individual or entity. Such agreements may not be legally enforceable..."

- The individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.”

Statement No. 77 also notes that “a transaction’s substance, not its form or title, is a key factor in determining whether the transaction meets the definition of a tax abatement.”

More simply put, a tax abatement is when a local government or school district agrees to give up tax revenues it is entitled to in return for a promise by an individual or entity to take a specific future action that contributes to economic development or otherwise benefits the government or its citizens.

Note Disclosure Requirements for Financial Statements

GAAP-compliant local governments and all school districts need to disclose the following information with respect to tax abatement agreements in the notes to their financial statements:²

Disclosure Item	Reporting Government’s Tax Abatement	Other Government’s Tax Abatement^a
Name and purpose of the tax abatement program	X	
Name(s) of government(s)		X
Type of taxes being abated	X	X
Authority to abate taxes	X	
Eligibility criteria for tax abatement	X	
Abatement mechanism	X	
Provision(s) for recapturing abated taxes	X	
Types of commitments made by tax abatement recipients	X	
Gross dollar amount (on accrual basis) of taxes being abated	X	X
Amounts received or receivable from other governments associated with forgone tax revenue (abated taxes)	X	X
Other commitments by the government listed in tax abatement agreement	X	
Quantitative threshold used by the government for individual tax abatement agreement disclosures	X	X
Information that is omitted due to legal prohibitions	X	X
^a Applicable when the reporting government’s tax revenues are reduced.		

² The Office of the State Comptroller is not requiring local governments to disclose tax abatements in the Annual Update Document (AUD).

New York State Programs That Meet GASB's Tax Abatement Definition

We have conducted research on a variety of programs in New York and the following programs³ meet GASB's tax abatement definition:

- Payments in Lieu of Taxes
- Brownfield Cleanup Program
- Start-Up NY
- Excelsior Jobs Program

Shared Revenue

There are instances in New York when one government shares a portion of the tax it collects with another government, such as a county sharing sales tax with school districts. The county can enter into a sales tax abatement agreement, reducing the amount of sales tax revenue it receives and also reducing the amount it shares with school districts. Assuming that the county's tax abatement agreement meets the requirements of a tax abatement as stipulated in Statement No. 77, the county would disclose the tax abatement in its financial statements. However, the school districts would not disclose the tax abatement because the reduced revenue they received is appropriately classified as shared revenue from a voluntary nonexchange transaction⁴ and not tax revenue. The shared revenue would be reported as program or general revenue, depending on the circumstances, by the school district.⁵

Additional Information

Local governments and school districts, as applicable, should discuss their specific tax abatements/situations with their certified public accountants and municipal attorneys.

If you have questions pertaining to tax abatements as described in this bulletin, please contact the New York State Comptroller's [regional office that serves your local government](#).

³ This list is not meant to be all inclusive; it is intended to provide information on some of the larger programs in New York.

⁴ See [GASB Statement No. 34](#).

⁵ See the GASB [Implementation Guide No. 2015-1](#) (Questions 7.34.5 and 7.35.1) and [Implementation Guide No. 2016-1](#) (Question 4.80) for further guidance at <http://www.gasb.org>.