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July 2013

To: Chief Fiscal Officers

From: Division of Local Government and School Accountability

Subject: Accounting for TAN and RAN Premiums

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

Purpose of Bulletin

Local governments are more often receiving significant premiums upon the issuance of Tax Anticipation Notes (TANs) and Revenue Anticipation Notes (RANs) and accounting treatment has not always been consistent. This bulletin clarifies the prescribed accounting treatment of TAN and RAN premiums and the restrictions on the use of these premiums.

Accounting Treatment

Proceeds received upon the issuance of long-term debt are treated as an “other financing source” in governmental funds. Premiums received upon issuance of that debt is also treated as a distinct “other financing source” reported separately from the debt proceeds.

Short-term debt such as TANs and RANs on the other hand, is not considered an “other financing source” in governmental funds and is accounted for as a fund liability. However, premiums received upon issuance of TANs and RANs would be considered a distinct resource that is not part of the fund liability and should be treated the same as a premium issued for long-term debt, i.e. as an “other financing source.” The following journal entries illustrate the accounting treatment for TANs, which would mirror the treatment of RANs:

To record the issuance of tax anticipation notes at a premium for which taxes are pledged (Local Finance Law §24.00):

Account	Sub-account	Debit	Credit
A200 Cash		\$110,000	
A620 Tax Anticipation Notes Payable			\$100,000
A980 Revenues			\$10,000
A2710 Premium on Obligations	\$10,000		

To record the collection of pledged taxes required to be deposited in a separate bank account and held for payment of tax anticipation notes:

Account	Sub-account	Debit	Credit
A221 Cash for Tax Anticipation Notes		\$20,000	
A250 Taxes Receivable, Current			\$20,000

To record the redemption of tax anticipation notes from pledged cash:

Account	Sub-account	Debit	Credit
A620 Tax Anticipation Notes Payable		\$100,000	
A522 Expenditures		\$1,250	
A9760.7 Tax Anticipation Notes - Interest	\$1,250		
A200 Cash			\$1,250
A221 Cash for Tax Anticipation Notes			\$100,000

Use of Premiums

With certain exceptions, the proceeds of the sale of TANs generally may be used for (1) the purposes for which the taxes or assessments (in anticipation of which the TANs are issued) were or are to be levied, or (2) the redemption of the TANs in renewal of which they were issued.¹ Similarly, the proceeds of RANs may be used only for (1) the purpose of meeting expenditures payable from the type of revenue in anticipation of which the RANs were issued or (2) the redemption of the RANs in renewal of which they were issued.² Premiums received upon the sale of the TAN or RAN would be considered part of the proceeds of the sale and would have the same restrictions on their use. Therefore, where a TAN or RAN is sold at a premium, the premium may be used for any purpose for which the principal amount of the note may be used.

Additional Information

If you have questions pertaining to the accounting requirements described in this bulletin, please contact the State Comptroller’s regional office that serves your local government.

¹ Local Finance Law §24.00[a][5], [b]-[d], [g][3]

² Local Finance Law §25.00[e]