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New GASB Guidelines on Tax Abatements

Local Governments change how Tax Abatements are reported

COLUMBIA, S.C. – (October 26, 2015) – New accounting requirements that go into effect in December will change the way local governments must report economic development incentives on their financial statements.

On August 15, 2015, the Government Accounting Standards Board (GASB) approved new guidelines, Statement 77, that require local governments for the first time to disclose on financial statements information about tax abatement agreements. GASB is the independent organization that establishes and improves standards of accounting and financial reporting for state and local governments.

According to GASB, although many governments offer tax abatements and provide information to the public about them, “they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future.”

“These new requirements will affect local governments granting abatements as economic development incentives as well as economic development professionals who work to locate companies in South Carolina,” said David Cuda, president of the SC Economic Developers’ Association and director of corporate solutions, South Carolina, for Colliers International. “SCEDA is hosting a half-day seminar that will cover all aspects of this new financial reporting requirement and the impact the requirement will have on economic development activities. Attorneys, accountants, local government finance professionals, site consultants and economic developers will all find this seminar useful as these new reporting requirements are effective for financial statements for periods beginning December 15, 2015.”

Local governments must disclose information about (1) its own tax abatement agreements and (2) abatement agreements entered into by other governments that reduce the reporting government’s tax revenues.

(MORE)

The following information must now be disclosed by the government that entered into the agreement:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period; and
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

SCEDA's half-day seminar will take place on November 18 at the Columbia Conference Center in Columbia. To register, visit www.SCEDA.org. You do not have to be a member of SCEDA to attend.

About SCEDA

Since 1965, the S.C. Economic Developers' Association has served as the Voice of Economic Development in the Palmetto State. A professional trade association of more than 600 members, with representation from all 46 counties, SCEDA includes local and regional economic developers, as well as officials from municipal, county and state government agencies, construction and engineering firms, utility companies, attorneys, consultants, financial institutions, and higher education. To learn more, visit www.SCEDA.org

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