

## GASB 77 FAQs

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1. **If local government A abates local government B's taxes, but does not abate any of its own taxes, does this require disclosure on the part of local government A?**

No, for this particular arrangement, under the requirements of GASB 77, local government A would not have anything to disclose. Local government B would need to make the disclosures related to Local government B taxes that were abated by another government.

2. **A local government uses residential Community Reinvestment Areas (CRAs). As part of this process, residents are required to apply. If this application precedes the work done by the resident, does this meet the GASB 77 definition of an agreement?**

Paragraphs B9 – B11 of GASB 77 discuss the requirements of an agreement, specifically, that it needs to contain a promise by the local government to reduce taxes and a promise by the individual or entity to subsequently perform a certain beneficial action. The application would need to be reviewed to determine if it meets this criteria. Also, for the program to meet the GASB 77 definition, the agreement needs to precede any action by the individual or entity.

3. **Can an agreement meet the definition of a GASB 77 tax abatement if the taxes (or payment in lieu of taxes) are collected and subsequently returned to the counterparty?**

Yes, providing all other elements of the GASB 77 tax abatement definition are met. GASB has recently issued additional implementation guidance which includes the following, "Although many tax abatements directly reduce the amount of taxes paid and do not involve the actual collection and return of taxes, the mechanism used to conduct the transaction is not relevant to determining whether a transaction meets the definition of an abatement. Therefore, the fact that the developer pays property taxes and subsequently receives amounts from the government related to the additional property tax revenues means that the government did, in substance, forgo tax revenues." See question 4.40 of GASB's Implementation Guidance Update No. 2017-1 for additional information.

4. **My local government entered into an economic development agreement with a local business under Ohio Constitution, Article VIII Section 13. Under the terms of the agreement, the local government will make incentive payments to the local business based on employee income tax withholdings. However, this particular section of the Ohio Constitution precludes incentive payments from being made from taxes. Do these payments meet the definition of a GASB 77 tax abatement?**

No, under this particular section of the Ohio Constitution, economic development incentives cannot be paid from taxes; therefore, they do not meet the definition of a GASB 77 tax abatement as the local government has not forgone tax revenue.