



Lumpkin County, Georgia

Date: June 13, 2016

Briefing Item: GASB 77

Item Description: Transparency and Disclosures of Tax Abatements- non-financial statement disclosures.

Facts & Historical Information:

GASB (Governmental Accounting Standards Board) released Statement No. 77 in August of 2015. This new statement covers Tax Abatement Disclosures and is effective for periods beginning after December 15, 2015. For Lumpkin County, it means this disclosure begins with the 2016 audit. For purposes of GASB Statement No. 77, a tax abatement has three essential characteristics: 1) it is the product of an agreement, in force before the abatement of taxes, whereby a government promises to reduce a specific individual/entity tax liability in return for the latter's promise to take certain actions; 2) the agreement is intended to promote a public purpose like economic development or benefit the government or its citizens; 3) the agreement abates taxes, rather than some other type of revenue such as a fee or charge. Not only does this statement require Lumpkin County to report on abatements, it has provisions that the County must report on the agreements of other governments that reduce our revenues. The information on each agreement is to be disclosed separately. Lumpkin County currently has two agreements that are subject to No. 77.

Staff recently participated in two webinar learning sessions sponsored by ACCG to help us gain an understanding and learn more about what will be required to meet the disclosure requirements. The biggest take away from the webinars was that counties are being encouraged to take the lead in holding meetings with the cities, school districts, development authorities, tax commissioners and tax assessors, etc. within their boundaries to meet and openly discuss any abatements and how we are all going to share information and work together to meet the requirements of GASB 77. We have to organize disclosures by major tax abatement program and may, if we choose, disclose information for individual tax abatement agreements within the major programs. We have to at a minimum disclose the

following: names of the governments that entered into the agreements, specific taxes being abated, gross dollar amount of taxes abated during the period, amounts received or receivable from other governments in association with the foregone tax revenue. Governments will be allowed to determine and set a quantitative threshold (scope) for reporting the disclosures and such levels of reporting are required to be disclosed and consistently applied from year to year. Professional judgment may center on percentage of total taxes abated or specific dollar amount abated. The majority of decisions will be based on materiality thresholds. Past agreements that are still in effect need to be considered until such time they expire. If we are legally prohibited from disclosing specific information required by No. 77, that information may be omitted without penalty.

If the Board decides that the County should take the lead in calling the meetings and gathering information, the audit committee could be called upon to take an active role in the process. The make-up of this committee, with its mix of Elected Officials and staff, makes it an ideal entity to take on such a project.

The Board could also choose establish a different committee and appoint different members to oversee this on-going project.