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Seyfarth Shaw LLP

THE ABATEMENT STATEMENT UPDATE ON GASB

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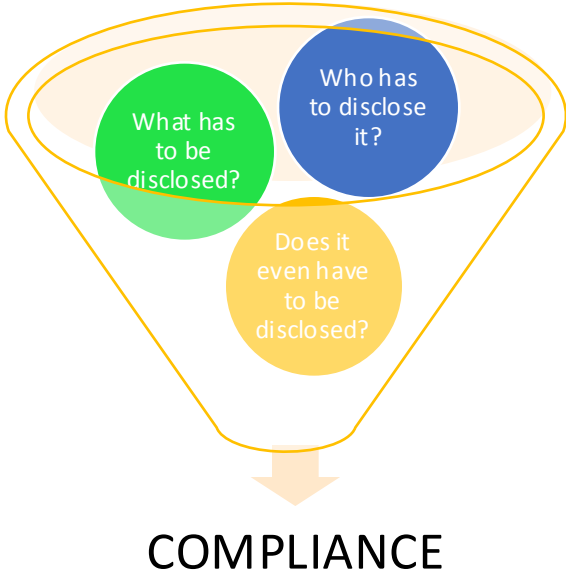
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March 2016

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UNDERSTANDING THE NEW GASB RULES ABOUT ABATEMENTS



WHO ARE YOU?

“OWN GOVERNMENT”

Example: county

Sometimes called “primary government”

“OTHER GOVERNMENT”

Example: school district

But you are also an “Own Government” as to your own abatements

“DISCRETELY PRESENTED COMPONENT UNIT”

Example: county development authority

Sometimes called “secondary government”

But you might also be an “Own Government” as to your own abatements

NOT A COMPONENT UNIT

Example: county development authority

Primary Government does not include your financials

But you might also be an “Own Government” as to your own abatements

RECIPIENT

Example: economic development prospect

IF YOU ARE THE "OWN GOVERNMENT"

"MAJOR"
DISCLOSURES- ALL
ITEMS (PARA. 7)

"MINOR"
DISCLOSURES-
SELECTED ITEMS
ABOUT OTHER
GOVERNMENTS-
(PARA. 8)

BRIEF DESCRIPTIVE
INFORMATION

"OWN GOVERNMENT'S"
ABATEMENTS

"OTHER GOVERNMENT'S"
ABATEMENTS

IF YOU ARE AN "OWN GOVERNMENT'S" "DISCRETELY PRESENTED
COMPONENT UNIT", THEN DISCLOSURE ABOUT YOUR ABATEMENTS IS
"MAJOR" (IF "ESSENTIAL FOR FAIR PRESENTATION") OR "MINOR"
(OTHERWISE)

This is the one main category for disclosure about "own government's" abatements. Organize additional disclosure under this category.

MAJOR DISCLOSURE

MINOR DISCLOSURE

BRIEF DESCRIPTIVE INFORMATION	"OWN GOVERNMENT'S" ABATEMENTS	"OTHER GOVERNMENT'S" ABATEMENTS
Name of program	✓	
Purpose of program	✓	
Name of government		✓
What tax is being abated	✓	✓

These are the two main categories for disclosure about "other government's" abatements. Organize additional disclosure under these categories.

BRIEF DESCRIPTIVE INFORMATION	"GOVERNMENT'S OWN" ABATEMENTS	"OTHER GOVERNMENT'S" ABATEMENTS
Authority to abate taxes	✓	
Eligibility criteria	✓	
Abatement mechanism	✓	
Claw-backs (recapture provisions; but not amounts recaptured)	✓	
Goals (by types of recipient commitments; don't have to disclose defaults by recipients)	✓	

OTHER DISCLOSURES

**“GOVERNMENT’S OWN”
ABATEMENTS**

**“OTHER GOVERNMENT’S”
ABATEMENTS**

Dollar amount of taxes abated for subject year (but **NOT**-

- how many agreements *per se*
- term of agreement
- total taxes abated throughout term)



Intergovernmental PILOTs (amounts received or receivable from other governments associated with abated taxes)



OTHER DISCLOSURES	"GOVERNMENT'S OWN" ABATEMENTS	"OTHER GOVERNMENT'S" ABATEMENTS
Cash/In-Kind Incentives by type (= other commitments by the government; disclose most significant individually; disclose default in providing)	✓	
Quantitative threshold for individual disclosure	✓	✓
Information omitted due to legal prohibitions	✓	✓

ABATEMENT IS A "PROGRAM"

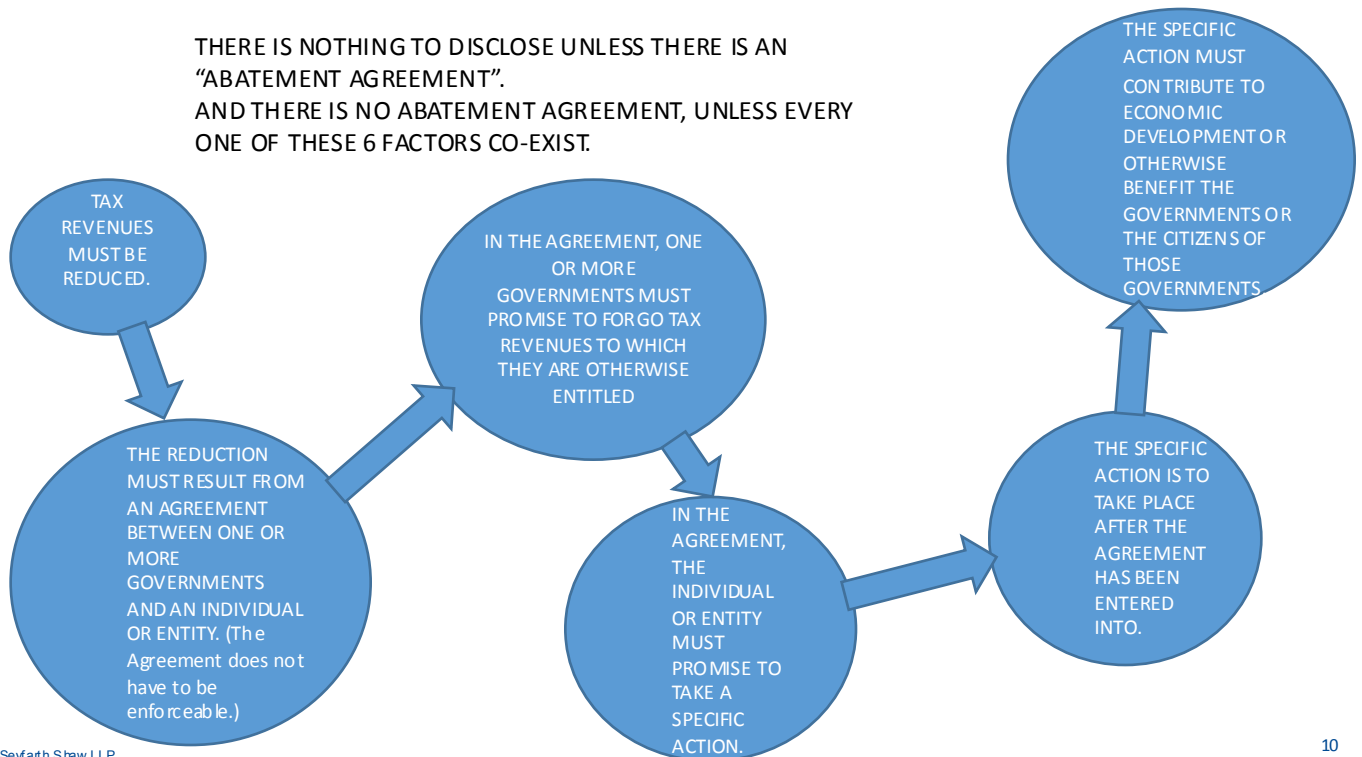
UNDER A PROGRAM, CAN DISCLOSE
ABATEMENTS INDIVIDUALLY, OR IN
THE AGGREGATE

HOW GASB LOOKS
AT IT

CAN'T DO INDIVIDUAL DISCLOSURE
SELECTIVELY; ALL OR NONE
HAVE TO HAVE A THRESHOLD
examples: minimum %; minimum
savings

"INDIVIDUALLY"
≠
BY NAME OF RECIPIENT

THERE IS NOTHING TO DISCLOSE UNLESS THERE IS AN "ABATEMENT AGREEMENT".
AND THERE IS NO ABATEMENT AGREEMENT, UNLESS EVERY ONE OF THESE 6 FACTORS CO-EXIST.



UNBALANCED- BENEFITS NOT
FACTORED IN
maybe balance in Introduction
or Management's Discussion and
Analysis

STARTS- WHEN AGREEMENT
STARTS

DISCLOSURE

RULES APPLY TO FISCAL YEARS
THAT BEGIN AFTER DEC. 15,
2015. Example: FY starts July 1,
2016- disclosure in financial
statements issued in 2017

ENDS-WHEN AGREEMENT ENDS
EXCEPT END "OTHER
COMMITMENTS" WHEN
FULFILLED

SOME SELECTED ISSUES WITH APPLYING THE GASB RULES IN GEORGIA

STRUCTURE

- Georgia's property tax incentives based on Leasehold Valuation or Usufruct
- Result of Classification or Assessment, not agreement
- Policy issue: PILOTs paid to taxing authorities/Tax Commissioner should be treated as though they are taxes paid, for purposes of GASB

AGREEMENT

- No public body can legally agree to abate property taxes in Georgia
- A development authority is not a taxing jurisdiction, so has no taxes that it can reduce
 - Counter-argument: if a local government acknowledges a development authority's MOU
 - Counter-argument: if development authority supported by millage from local government

GAG

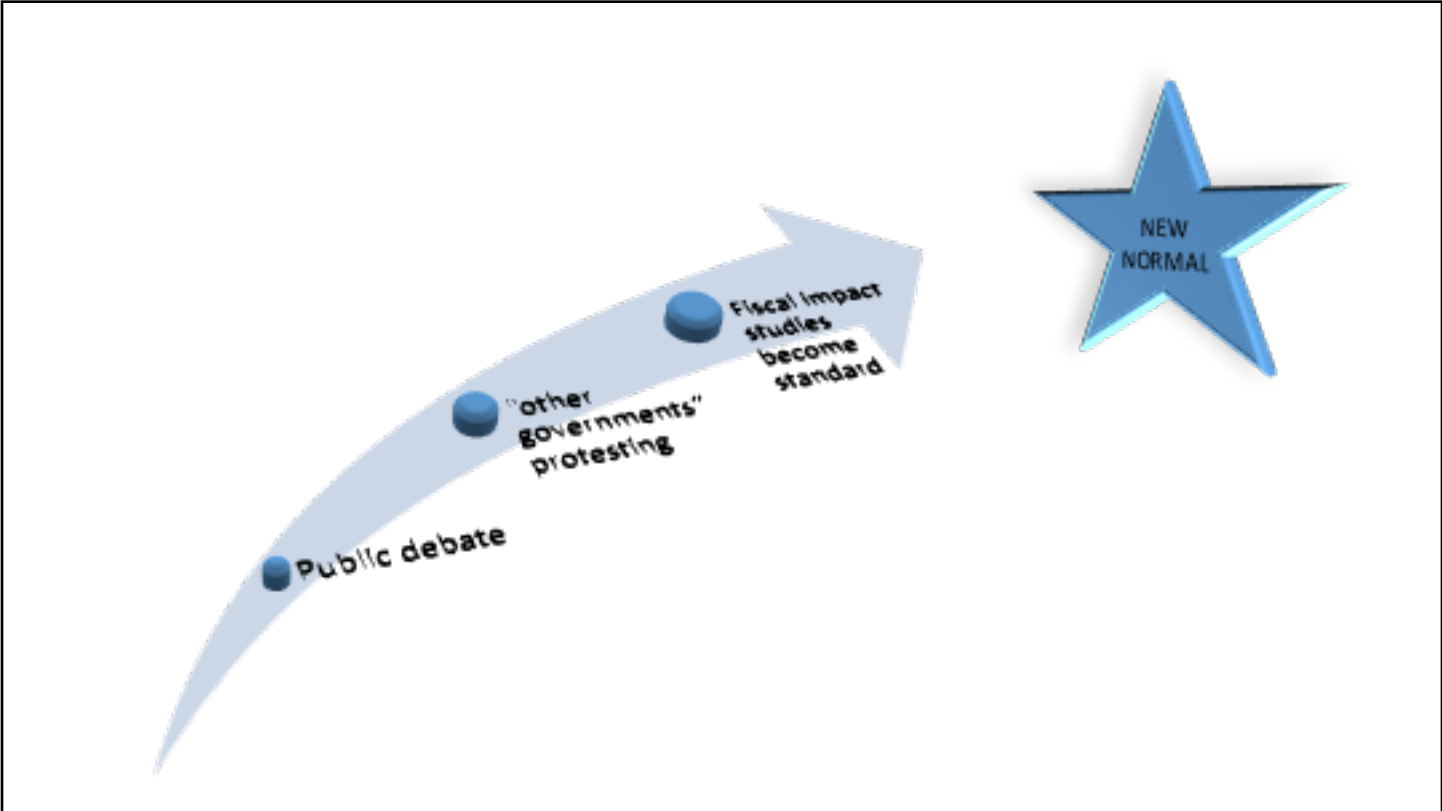
- "Gifts and Gratuities" prohibited by Georgia's Constitution
- GASB rule doesn't apply to performance based incentives
 - But risk of violating this Constitutional prohibition if an abatement agreement is made after an economic development prospect has performed

WE SHOULD PREPARE FOR ABATEMENT DISCLOSURES TO BECOME AN ACCEPTED PRACTICE.

FINANCIAL STATEMENTS OF MANY GOVERNMENTS ALREADY MENTION GASB 77 AND ANTICIPATE DISCLOSING.

"BEST PRACTICES" FOR COMPLIANCE, LIKE DATA GATHERING, SHOULD BE DEVELOPED AND PUT IN PLACE NOW.

THE ECONOMIC DEVELOPMENT COMMUNITY SHOULD EMBRACE COMPLIANCE AND LEAD THE DISCUSSION.





QUESTIONS?

If you have any questions or comments on this presentation, please do not hesitate to let me know.

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ECONOMIC DEVELOPMENT AND OTHER TOPICS
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SCOPE

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