

## Legislation Text

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**File #:** 2017-0927, **Version:** 1

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### Tax Incentive Projects and Governmental Accounting Standards Board Statement 77 Information

#### Issue/Request:

The presentation will cover the Tax Incentive projects known as Section 100, Section 353, LCRA and TIF Projects, as well as the requirements of the new GASB Statement 77 regarding Tax Abatement Disclosures.

#### Key Issues:

The Governmental Accounting Standards Board has issued its new Statement 77 that requires the financial disclosure of information regarding tax abatements granted by the City's tax incentive programs to Developers. This presentation will discuss the tax incentive programs of the City and elaborate on which programs will require the new disclosure information and which programs do not require disclosure of information in the financial statements.

#### Background:

The City has for many years provided Developers with various tax incentive alternatives to enhance the viability of proposed developments. These programs have allowed property taxes to be abated in return for the construction of projects that would be beneficial to the city's development. Since the tax abatement of projects reduces the current revenues of the City, the Governmental Accounting Standards Board (GASB) issued Statement 77, which requires the disclosure of tax abatement amounts for various tax incentive programs. The intent of the Standard is to allow the users of the City's financial statements to know how much of current revenue has been abated, and, is therefore not available to provide other City services.

#### Impact/Analysis:

This presentation will cover four tax incentive programs used by the City to encourage development of businesses and infrastructure of the City, and, indicate which programs are subject to the requirements for disclosure of information by Statement 77.

Tax Increment Financing Districts (TIFs) provide for the segregation of property taxes and Economic Activity Taxes (50%) to be used to reimburse developers, or the City, for costs related to the Development of the TIF project. Since the Businesses in the TIF District do pay the full property taxes on the real estate, including the incremental increase, Statement 77 does not regard TIFs as granting a tax abatement, but regards the transaction as a reallocation of the property taxes to pay for Certified Reimbursable Costs rather than an abatement of the taxes.

Section 100, Section 353, and Land Clearance For Redevelopment projects allow the reduction of property taxes being paid by the owner of the property. Statement 77, regards those reductions as being tax abatements, and requires the disclosure of information regarding the amounts of tax abatement granted.

This presentation provides information on the projects that are using the Section 100, Section 353 and LCRA tax incentives. The three programs have different methods for the property developer to obtain the tax abatement. With Section 100, the Developer transfers the title of the property to the City, and, as a tax exempt entity the City does not pay property taxes, which results in the developer having a 100% tax abatement. With Section 353, the Developer uses a non-profit entity to hold the property, which also results in a 100% tax abatement. With the LCRA, the developer retains title to the property but is granted a tax abatement on the incremental increase in value, which also may result in a 100% tax abatement for the period granted by the LCRA.

The information provided in this presentation includes the projects that are currently using the four tax incentive programs, and, the information on the amount of tax abatements that are being provided during Fiscal Year 2017.

Timeline:

Start: \_\_\_\_

Finish: \_\_\_\_

Other Information/Unique Characteristics:

None

Presenter: Conrad E. Lamb

Recommendation: Not Applicable

Committee Recommendation: This was a presentation only.