

## Tax Abatement Reporting in Kentucky

*The Governmental Accounting Standards Board (GASB) is the professional organization that establishes standards of accounting and financial reporting for state and local governments. In 2015, GASB added "[Statement No. 77 on Tax Abatement Disclosures](#)" to its Generally Accepted Accounting Principles (GAAP). GASB 77 requires most state and local governments (including school districts) to report tax abatement programs (if they have such a program/s) in their annual comprehensive financial reports (ACFRs), specifying the **amount of revenue reduced or foregone** as a result of these tax abatements programs. This new rule, GASB 77, allows the public to see how much public-service revenue is lost due to tax breaks given to corporations. This road map highlights key people and organizations involved in the implementation of GASB 77, the reporting status of jurisdictions in the state, and other information relevant to GASB 77 compliance in Kentucky.*

**Who in state government is most likely to influence GASB 77 disclosure?** Acting Controller Joe McDaniel and Division of Local Government Services Director J.W. Bryan. The Controller reports to the Secretary of Finance and Administration Office, a cabinet level position. The Controller is the Commonwealth's Chief Accounting Office, though their role is almost exclusively focused on overseeing state government and state agencies. The Division of Local Government Services is housed within the Controller's office and provides financial, payroll, personnel, administrative, and Social Security coverage services to local governments.

**Does the state's most recent ACFR include GASB 77 disclosure on state revenue losses?**  
Yes.

**How many counties, municipalities and school districts in the state are required to conform with Generally Accepted Accounting Principles (GAAP) and therefore GASB Statements?** According to GASB's [research brief](#) titled "State and Local Government Use of Generally Accepted Accounting Principles for General Purpose External Financial Reporting" (2008), all of Kentucky's school districts and most municipalities are required by state law to use GAAP accounting (municipalities that fall beneath \$75,000 a year in spending are excluded). None of the state's counties are required to use GAAP and most prepare financial statements on a cash basis.

**Does state government monitor fiscal stress within county/municipality/school district?**  
The state's Department for Local Government approves annual budgets and [reviews quarterly financial updates for Kentucky's county governments and leads the monitoring](#) so officials can keep tabs on each county's expenditures and revenue collections.

**Who commented on the GASB 77 Exposure Draft from Kentucky?** The [Kentucky Center on Economic Policy](#) joined two other state fiscal policy organizations and a small business organization in a joint comment calling for disclosure of personal income tax diversions.

**Does the state government or do any academic/NGO institutions provide technical assistance on GAAP, GASB, or completing ACFRs?** The Controller’s Office publishes a quarterly newsletter dealing with a range of accounting topics but does not appear to deal with advice on completing financial reports or timely GASB topics.

**Which of the state’s five most populous counties, municipalities, and school districts reported GASB 77 disclosures [in the most recent ACFR available?](#)**

Report Tax Abatements	Do Not Report Tax Abatements
Louisville-Jefferson County	City of Owensboro
Lexington-Fayette County	Jefferson County Public Schools
City of Bowling Green	Fayette County Public Schools
City of Covington	Boone County Public Schools
Warren County	Warren County Public Schools
Boone County	Hardin County Public Schools
Kenton County	

**Is there a state office that collects Annual Comprehensive Financial Reports (ACFRs) from counties/cities/school districts?** None identified so far. The Commonwealth’s Auditor of Public Accounts does perform audits of local government agencies and school districts, which is available through a [searchable online audit database](#).

**Which state office is responsible for completing state’s ACFR?** Kentucky Finance and Administration Cabinet; Office of the Controller; Statewide Accounting Services.

**For more information on GASB 77, visit [goodjobsfirst.org/tax-abatement-disclosures](http://goodjobsfirst.org/tax-abatement-disclosures)**

*Updated January 2023*