

Federal Accounting Standards Advisory Board

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June 2, 2016

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NEWS RELEASE

FASAB Issues Exposure Draft *Tax Expenditures: Management's Discussion and Analysis and Disclosure Requirements*

The chairman of the Federal Accounting Standards Advisory Board (FASAB), D. Scott Showalter, announced today that FASAB is seeking input on the proposed Statement of Federal Financial Accounting Standards entitled *Tax Expenditures: Management's Discussion and Analysis and Disclosure Requirements*.

Generally, tax expenditures are provisions in the tax law available to subsets of taxpayers who engage in certain kinds of activities, face special circumstances, or otherwise meet specified criteria. The government uses tax expenditures to stimulate behavior that will accomplish public policy goals, such as facilitating homeownership, reducing the cost of borrowing for state and local governments, encouraging higher education, and promoting domestic energy production.

The Board believes the service efforts, costs, and accomplishments of the U.S. government include those service efforts undertaken, costs incurred through, and accomplishments resulting from the use of tax expenditures. Accordingly, the Board identified a need to improve users' awareness and understanding of tax expenditures.

The proposed standards would result in the inclusion of key information on tax expenditures to assist users of the consolidated financial report of the U.S. Government (CFR) in understanding the existence, purpose, and impact of tax expenditures on federal revenues and the overall financial position of the U.S. government. Such information is not currently included in the CFR.

"The financial impact of tax expenditures clearly warrants their disclosure in the financial statements; however, that was not the main driver for this proposed standard," noted Chairman Showalter. "The government can and does use tax expenditures as an alternative to other policy instruments—such as spending or regulatory programs—to address and hopefully to accomplish policy objectives. Because tax expenditures are not explicitly reported as appropriations or displayed in the Statements of Net Cost or

Changes in Net Position, we need to shine a light on them. Doing so would allow users to gain a more complete understanding of the service efforts, costs, and factors impacting federal revenues.”

The Board requests comments on the exposure draft by September 15, 2016. Respondents to the exposure draft are encouraged to provide responses to all of the questions raised and the reasons for their positions. The exposure draft and the specific questions raised are available at the FASAB website in PDF and Word format, respectively (<http://www.fasab.gov/documents-for-comment/>).

ABOUT FASAB

FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.

Financial reports, which include financial statements prepared in conformity with generally accepted accounting principles, are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, the Board plays a major role in fulfilling the government's responsibility to be publicly accountable. Federal financial reports should be useful in assessing (1) the government's accountability and its efficiency and effectiveness and (2) the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.

FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

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