



Statewide Accounting Policy & Procedure

Accounting Manual Reference:

Section: Revenue and Receivables
Sub-section: Tax Revenue

Effective Date: 07/01/1999

Revision Date: 07/01/2004

Georgia Laws

- OCGA 45-12-92: Revenue collections to be paid to state treasury on monthly basis; effect of failure of budget unit to comply with Code section
- OCGA 48-2-17: Payment to Office of the State Treasurer

General Procedures

There are differences between the State's budgetary accounting practices for revenues and accounting practices prescribed by GAAP. Significant variances between GAAP and the State's budgetary basis are discussed below.

Governmental Funds

Revenues from taxpayer-assessed taxes, net of estimated refunds, fall into what GAAP classifies as nonexchange transactions. Income and sales taxes fall into the class of nonexchange transactions referred to as "derived tax revenues." Other taxes, such as property taxes, are classified by GAAP as "imposed nonexchange revenues." In general, revenues from nonexchange transactions should be recognized and recorded in the accounting period in which they become both measurable and available, with "available" meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For example, sales taxes collected by merchants in June, but not required to be remitted at the end of the fiscal year should be recognized and recorded if they are to be remitted in time to be used as a resource for payment of obligations incurred during the preceding fiscal year. In general, for CAFR purposes, taxes due in June but remitted in July traditionally have been accrued. Specifically, derived tax revenues should be recognized in the period when the underlying exchange transaction has occurred and the resources are available. In the case of imposed nonexchange revenues, the general rule for revenue recognition is to record revenues as soon as an enforceable legal claim has been established, provided the establishment of that claim does not precede the period with which the revenues are associated. However, property taxes constitute something of an exception to this general rule. Specifically, property tax revenues should be recognized in the period for which the taxes are levied, even if an enforceable legal claim only arises in the subsequent period. This applies *only* if the "availability" criterion, as defined previously, is met. Tax revenues and receivables should be reduced for an allowance for uncollectible amounts. In addition, interest on unpaid taxes should be recognized and recorded as it accrues over time, and penalties should be recognized and recorded when they are assessed.

State Revenue Collection Fund

The State Revenue Collection Fund is maintained on the cash basis. Under this basis of accounting tax revenues are recorded only when cash is received.

Synopsis of Significant Variances between GAAP and Budget Basis

If GAAP financial statements are not provided, the State Accounting Office must be furnished with information to meet the following GAAP reporting requirements:

- In governmental funds, tax revenues net of estimated refunds should be accrued if they are measurable and available. In proprietary funds and on the government-wide statements, the “availability” criterion does not apply (identify any revenues which were not recorded because they are not “available”).
- Estimates should be made for doubtful accounts. Revenues should be reduced for the amount of the estimate in governmental funds; in proprietary funds and the government-wide statements, bad debt expense should be recorded (provide supporting documentation for the estimated allowance for uncollectible).
- Penalties on unpaid taxes should be recorded when assessed.
- Interest should be recorded as it accrues over time.