SECTION: **THREE – ACCOUNTING PROCEDURES**
TOPIC: **TAX REVENUE**

ACCOUNT RANGE: 411000 - 419999

GEORGIA LAWS

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.

All departments, agencies, and budget units charged with the duty of collecting taxes, fees, assessments, or other moneys, the collection of which is imposed by law, shall pay all revenues collected by them into the state treasury on a monthly basis on or before the fifteenth day of each month for the immediately preceding month's collections, according to such rules and regulations
as may be prescribed by the Office of Planning and Budget. No allotment of funds shall be made to any budget unit which has failed to comply fully with this Code section.

48-2-17. Payment to Office of Treasury and Fiscal Services.

Except as otherwise provided by law, all taxes, penalties, interest, and other moneys collected or received by the commissioner, the department, or any unit, officer, or employee of the department pursuant to this title or any other revenue or licensing law shall be paid to the Office of Treasury and Fiscal Services.

ACCOUNTING PROCEDURES

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. The characteristics and classes of nonexchange transactions are described in detail in Section One of this manual. Income and sales taxes fall into the class of nonexchange transactions referred to "derived tax revenues." Other taxes within the above referenced series of accounts, such as property tax, 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 (see topic in this section of the manual titled "Receivables, Due Froms and Advances to Other Funds"). 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, auditors 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 uncollectibles).

Penalties on unpaid taxes should be recorded when assessed.

Interest should be recorded as it accrues over time.