

### 3. ACCOUNTING

#### 3.5 Deferred Outflows/Inflows of Resources 3.5.2 Accounting and Reporting of Property Tax

3.5.2.10 Property tax revenue should be recognized in the period for which levied, regardless of when they are due or collected. It should be reported on the date which the government has an enforceable legal claim to the resources or in the beginning of the period for which levied, if sooner. In Washington State the date for both situations is January 1.

#### 3.5.2.20 **Government-Wide Financial Statements**

According to above accounting guidance the entity should not recognize any tax in the 201X<sup>1</sup> financial statements for the 201Y<sup>2</sup> fiscal year, except if somebody prepays the 201Y tax; the prepaid tax should be recorded as cash offset by deferred inflow of resources (DR Cash/CR Deferred Inflow of Resources).

So, the 201X financial statements should report tax receivable for uncollected 201X tax (and the tax was already recognized as revenue) and deferred inflows of resources related to prepaid tax for 201Y. This transaction (DR Cash/CR Deferred Inflows of Resources) will be reversed in 201Y when the prepaid tax will become revenues. Since most likely the prepayments don't happen often, the amounts are immaterial and it will be quite common not to see any deferred inflows related to property tax on government-wide financial statements.

#### 3.5.2.30 **Fund Financial Statements**

On December 31, 201X an entity should report accounts receivable for uncollected 201X tax. Revenues should be recorded for the outstanding amount expected be collected within the availability period (set by policy, typically 60 days). The amount expected to be collected after the availability period should be recorded as deferred inflows of resources (unavailable tax). The only other deferred inflows of resources related to property tax would be any tax prepaid for 201Y.

In the 201X the amount of deferred inflows would be also adjusted for the previous years' delinquent taxes.

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<sup>1</sup> 201X indicates reporting year

<sup>2</sup> 201Y indicates subsequent year