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NABL and Others Call for Withdrawal of Political Subdivision Regs.

On May 23, the National Association of Bond Lawyers (NABL) submitted its comments on the proposed regulations on the definition of political subdivision (REG-129067-15). NABL urged the Treasury Department to withdraw the proposed regulations and affirm the applicability of the Shamberg rule as the sole standard for evaluating a governmental entity's status as a political subdivision. NABL said that the proposed regulations would increase uncertainty and disruption in the municipal market. Also, the proposed regulations would be unworkable and create significant uncertainty about whether governmental organizations qualify as political subdivisions because of multiple facts and circumstances tests.

In total, one hundred and five out of one hundred and seven comments submitted opposed the proposed regulations in whole or in part. Among the commenters, the Government Finance Officers Association wrote that the rules should be withdrawn and rewritten to directly address specific concerns that the Internal Revenue Service might have on possible abuses by political subdivisions. The Bond Dealers of America emphasized that the proposed regulations would have a profound effect on development projects, as states adjust "to a federally mandated political subdivision structure." The National Association of Home Builders also wrote in their comments that the proposed regulations would have profound effects on local communities, especially those that rely on developmental districts to finance projects "in the face of constrained municipal revenues."

NABL plans to submit more detailed comments in the future and will testify at the public hearing on June 6, 2016, along with eight other organizations.

NABL's comments are available here.

The full set of comments is available here.

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