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Bipartisan Bill Reintroduced to Ease Tax Curbs on Small Issuer IDBs.

WASHINGTON – House members have reintroduced a bill that would modernize and ease tax law restrictions for small bond issues used to finance manufacturing facilities.

The Modernizing American Manufacturing Bonds Act (H.R. 1115) was introduced on Friday by Reps. Randy Hultgren, R-Ill., Richard Neal, D-Mass., and Jim Renacci, R-Ohio. Neal is the top Democrat on the House Ways and Means Committee and Renacci is also a committee member.

Qualified small issue manufacturing bonds, also called small issue industrial development bonds (IDBs), are private activity bonds used to finance manufacturing facilities and related projects for small and mid -manufacturers. The federal law governing these bonds has not been updated in nearly 30 years.

The bill would expand the number of projects that are eligible for IDB financing. The three congressmen introduced similar legislation in 2015 but it failed to move forward. Hultgren and Neal offered a bill in 2014 as well.

"Illinois' manufacturers are ready for the challenge of increasing engagement in our global and technology-based economy," Hultgren said in a release. "Unfortunately, decades-old policies governing a key tool that manufacturers used to expand operations no longer address today's challenges, needlessly impeding growth and job creation in the Illinois manufacturing sector.

MAMBA is a bipartisan bill that sensibly reforms these outdated rules without raising taxes."

"It's vitally important that Congress does all it can to support the American manufacturing industry," Neal said. MAMBA "is a commonsense, bipartisan proposal that will ensure the struggling manufacturers in New England and across the country have access to the resources and capital they need to invest in their businesses and hire more workers in their local communities."

The bill would expand the definition of manufacturing facilities to include those that produce intangible property, such as software and patents, as well as tangible property. It would also allow IDBs to be used to finance facilities that are functionally related and subordinate to the production of tangible or intangible property, such as warehouses that temporarily store materials or laboratories that test raw materials. These provisions were in effect in 2009 and 2010 under the American Recovery and Reinvestment Act but expired.

The bill would increase the maximum size of an IDB issue to $30 million from $10 million. It also would increase IDBs' six year capital expenditure limit to $40 million from $20 million.

Currently a manufacturer can only issue IDBs for a project if their capital expenditures, including the bonds proceeds, would not be more than $20 million during six years – three years before the bonds are issued and three years after that.

The bill has the support of the Council of Development Finance Agencies. “We’re thrilled that MAMBA has been reintroduced. It’s a vital piece of legislation that will help lower the barriers for small manufacturers to access affordable capital,” said CDFA president and CEO Toby Rittner.

“Representatives Hultgren, Neal, and Renacci have been great champions of manufacturing bonds and the development finance industry as a whole, and I’m thankful for their commitment to American manufacturing.”

The bill, which also has the support of the Illinois Manufacturers’ Association, is pending before the House Ways and Means Committee.

The Bond Buyer

By Lynn Hume

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