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Kicking the Sequestration Can Down the Road.

This past summer, I wrote a blog post showing how the sequestration rate, which reduces federal subsidy payments to issuers of "Direct Pay Bonds" (defined below), has generally been decreasing since the spending cuts enacted by the Budget Control Act of 2011 ("BCA") began on March 1, 2013. As a reminder, sequestration refers to the automatic, across-the-board spending cuts that apply to many of the federal government's programs, projects and activities. Issuers of "Direct Pay Bonds" (i.e., Build America Bonds, Recovery Zone Economic Development Bonds and all qualified tax credit bonds that were issued on a direct payment rather than a tax credit basis), who are entitled to receive federal government subsidies tied to the interest paid on these bonds, have been negatively impacted by these spending cuts. The higher the sequestration rate, the lower the subsidy.

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By Cynthia Mog on April 17, 2018

The Public Finance Tax Blog

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