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SLGs Window to Reopen! And Another Change: Squire Patton Boggs

Treasury has announced that, after what seemed like a forever long hiatus, effective August 5, 2019, at 12:00 noon eastern, it will reopen the SLGs window. Treasury can reopen the SLGS window because of the enactment of the Bipartisan Budget Act of 2019, which suspends the application of the federal debt ceiling until July 31, 2021.

But as usual, Congress giveth, and it also taketh away. Although the sequestration of federal subsidy payments on direct pay obligations, such as Build America Bonds, was supposed to end on September 30, 2027, the Bipartisan Budget Act of 2019 extends it by another two years until September 30, 2029.

As a reminder, the sequestration rate changes each federal fiscal year. Since sequestration began in 2013, the sequestration reduction rate that applies to subsidy payments on direct pay bonds has followed a more or less downward trajectory. It started at 8.7% for the federal fiscal year ending in 2013, but for issuers requesting subsidies for direct pay obligations during the federal FYE 9/30/2020, the sequestration rate is 5.9 percent.

By Taylor Klavan on August 4, 2019

The Public Finance Tax Blog

Squire Patton Boggs

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