

Bond Case Briefs

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KPMG: Alaska Railroad Corporation Bonds for LNG Project Exempt from Private Activity Bond Requirements.

The IRS today released [Rev. Rul. 2026-4](#), clarifying that bonds issued by the Alaska Railroad Corporation to finance the construction, acquisition, and improvement of property directly related to the state's liquefied natural gas (LNG) project are not required to satisfy the private activity bond rules under sections 141 through 147 to qualify as tax-exempt bonds under section 103(a).

Summary

The Alaska Railroad was originally built and operated by the federal government, then transferred to the state of Alaska under the Alaska Railroad Transfer Act of 1982 (Railroad Act). The state established the Alaska Railroad Corporation as a public corporation to operate the railroad. For the LNG project, the Alaska Railroad Corporation intends to issue bonds for facilities and infrastructure—including railroad tracks, terminals, port facilities, airports, roads, power generation, communications, and construction-related housing—located within Alaska and directly related to the project.

Under section 149(c)(2)(C)(ii), bonds issued pursuant to section 608(a)(6)(A) of the Railroad Act are treated as obligations of the state for purposes of section 103(a) and are not considered private activity bonds under section 141(a). Therefore, these bonds are exempt from the requirements of sections 141 through 147 that typically govern private activity bonds. However, the bonds must still comply with the requirements of sections 148, 149, and 150 to maintain tax-exempt status.

This ruling applies only to bonds issued by the Alaska Railroad Corporation to finance property located within Alaska and directly related to the LNG project. Facilities that merely use natural gas from the project, without other direct connections, are not covered by this exemption.