

Bond Case Briefs

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President Releases FY 2015 Budget.

President Obama has released his FY 2015 budget proposals. The President has again proposed to limit to 28 percent the benefit of certain tax preferences, including tax-exempt interest.

The President has also re-proposed a new direct-pay bond program, America Fast Forward (AFF) bonds, the permissible uses of which include nearly all of the current uses of tax-exempt bonds, such as private activity bonds and short-term capital needs. However, while AFF bonds could be used for current refundings, they could not be used for advance refundings. Last year, the AFF proposal included an increased subsidy rate for school construction which was not included in this year's budget proposal. This year's proposal includes an exemption from sequestration for AFF bond payments to issuers. The credit rate for AFF bonds would be 28 percent.

The other bond-related proposals include:

- Establish a National Infrastructure Bank
- Modify tax-exempt bond rules for Indian Tribal Governments
- Modify current refunding rules for governmental bonds
- Repeal the \$150 million non-hospital bond limitation for 501(c)(3) bonds
- Increase the national limitation amount for qualified highway or surface freight transfer
- Eliminate the volume cap for water infrastructure PABs
- Increase the 25 percent limit on land acquisition on PABs
- Allow more flexible research arrangements for the purpose of private business use limits
- Repeal the government ownership requirement for certain types of exempt facility bonds
- Simplify the single-family mortgage revenue bond targeting requirements
- Simplify the arbitrage investment restrictions
- Streamline the business limits on governmental bonds

A description of the proposals is contained in the Treasury Department's Green Book, which is available here:

<http://www.treasury.gov/resource-center/tax-policy/Documents/General-Explanations-FY2015.pdf>