

Bond Case Briefs

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NABL: President Releases FY 2016 Budget Proposals.

President Obama has released his FY 2016 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 proposed discretionary spending in excess of the sequester limits under the Budget Control Act of 2011, but the budget does not propose changes to the sequester of mandatory spending and therefore would leave intact the reductions to payments to issuers of direct pay bonds. The Office of Management and Budget also released today the sequester percentage for fiscal 2016. The percentage reduction that will be applied to payments to issuers of direct-pay bonds for fiscal 2016 will be 6.8 percent. The percentage reduction for the current fiscal year is 7.3 percent.

As announced previously, the President has proposed a new category of private activity bond, Qualified Public Infrastructure Bonds (QPIBs). QPIBs would be available for certain governmentally-owned exempt facilities and would not be subject to volume cap or the alternative minimum tax. QPIBs would allow for greater private business use than is possible under current law to encourage public-private partnerships.

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 and also would include the new QPIBs. However, while AFF bonds could be used for current refundings, they could not be used for advance refundings. As with last year's proposal, AFF bonds would be exempt from sequestration and the credit rate for AFF bonds would be 28 percent.

The other bond-related proposals in the budget 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 private corporation ownership requirement for qualified public educational facilities
- Reinstate the \$30 million bank-qualified limit and the two percent of assets rule
- Repeal the private payment test for professional sports facilities (eliminating the ability to finance with governmental bonds)
- Allow more flexible research arrangements for the purpose of private business use limits
- 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](#).

