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NABL: President Releases FY 2017 Budget Proposals.

On February 9, 2016, President Obama released his fiscal year (FY) 2017 budget proposals. The budget proposes an increase in the Internal Revenue Service (IRS) budget, including funds earmarked for enforcement, although the budget documents mention enforcement areas outside of tax-exempt bonds, such as transnational organized crime and the Foreign Account Tax Compliance Act. The budget also proposes increases to the U.S. Securities and Exchange Commission (SEC) budget, with a goal of doubling the SEC budget in five years. The budget also includes the Administration's proposal from late last year to give all territories and their subdivisions, including Puerto Rico, access to bankruptcy. The tax policy proposals in the budget are substantially the same as the proposals included in last year's budget.

The President again proposed to limit to 28 percent the benefit of certain tax preferences, including tax-exempt interest.

The President also again 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 expand the safe-harbor for governmental ownership to allow for greater private business use to encourage public-private partnerships.

The President has also re-proposed a new direct-pay bond program, America Fast Forward (AFF) bonds. As before, the permissible uses would include nearly all of the current uses of tax-exempt bonds, such as private activity bonds and short-term capital needs, and would also 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:

- 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 facilities
- 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
- Treat Indian Tribal Government bonds more like state and local governmental and private activity bonds
- Simplify the single-family mortgage revenue bond targeting requirements
- Simplify the arbitrage investment restrictions
- Streamline the private activity limits on governmental bonds

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