
Bills Would Raise Limits on IDBs, Freight Facility Bonds.

WASHINGTON – Democrats in the Senate and House have introduced separate bills to raise limits for both tax-exempt small issue manufacturing bonds and highway or surface freight facility bonds.

The Modernizing American Manufacturing Bonds Act (S. 3416), introduced by Sen. Sherrod Brown, DConn. on Sept. 28, would increase the maximum size of an issue of tax-exempt small issue manufacturing bonds to $30 million from $10 million.

The $10 million limit for these private activity bonds hasn't been increased since 1979 and has never been indexed to inflation, according to the Council of Development Finance Agencies, a supporter of the measure.

The bill, which is identical to House bill H.R. 2890 that was introduced in the House on June 25, 2015 by Rep. Randy Hultgren, RIll., would also expand the types of projects that could be financed by these bonds.

It would broaden the definition of manufacturing facility so that small issues of industrial development bonds could be used to finance facilities that produce intangible property, such as software, in addition to tangible property.

The bill also would allow IDBs to be used to finance facilities that are functionally related and subordinate to the production of tangible or intangible property, such as warehouses that temporarily store materials and laboratories that test raw materials.

Facilities could also be financed with IDBs if the directly related and ancillary to a manufacturing plant as long as they were on the same site as the plant and not more than 25% of the bond proceeds were used for them.

Meanwhile, Rep. Eddie Bernice Johnson, DTexas, introduced H.R. 6085 on Sept. 20 to raise to $20.8 billion from $15 billion the national limit for tax-exempt highway or surface freight transfer facility bonds.

The $15 billion national limit was set by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, popularly known as SAFETEALU, which was signed into law in 2009.

The Bond Buyer

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October 6, 2016

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