

Bond Case Briefs

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Disaster Bonds Proposed for Relief from Hurricanes Irma, Harvey.

WASHINGTON — In the wake of extensive damage caused by Hurricanes Harvey and Irma, the Council of Development Finance Agencies wants Congress to create a new permanent category of federally tax-exempt bonds for disaster rebuilding.

The group is proposing that up to \$20 billion in this special category of so-called disaster recovery bonds be made available for annual issuance for future disaster relief. The bonds should not be subject to state volume caps, it said.

"We're sort of in the beginning of coalition building," said Tim Fisher, legislative and federal affairs officer for CDFA. He's reached out to the Municipal Bonds for America coalition as well as other state and local groups.

Fisher said his group does not want to slow up any special assistance that Congress might enact for rebuilding in Texas, Florida, Puerto Rico, and the U.S. Virgin Islands. Instead, the proposal could be addressed as a part of tax reform.

"I don't know where we stand on tax reform in terms of tax-exempt bonds, but this might be something that the administration, with its big infrastructure push, might be intrigued by," Fisher said. "Forward thinking or proactive Republican members might be interested in pushing something like this during tax reform."

The proposal calls for replicating several temporary programs Congress has created in the wake of other recent natural disasters and the terrorist attack of Sept. 11, 2001.

Following the destruction of the World Trade Center by terrorists, Congress also authorized the issuance of \$8 billion in tax-exempt Liberty Bonds for use in Manhattan.

And after Hurricane Katrina flooded and devastated New Orleans and other parts of the Gulf Coast in 2005, Congress enacted the Gulf Zone Opportunity Act of 2005. That legislation authorized \$14.9 billion in tax-exempt private activity bonds for Louisiana, Alabama and Mississippi. It also provided an additional \$7.9 billion in advance refunding bonds.

In addition, Congress has authorized Hurricane Ike Bonds and Midwestern Disaster Area Bonds for disaster rebuilding in recent years.

"Both the Gulf Opportunity Zone Act of 2005 and the Heartland Disaster Tax Relief Act of 2008 allowed affected states to issue tax-exempt bonds to finance qualified activities involving residential rental projects, nonresidential real property, and public utility property located in the disaster area and below market rate mortgages for low- and moderate-income home buyers," the nonpartisan Congressional Research Service said in a report.

"There was not, however, a comparable package of tax benefits provided following tropical storm

Irene in 2011 or Hurricane Sandy in 2012,” CRS said. “Some general disaster provisions were available for all disasters declared in 2008 and 2009.”

Congressional lawmakers from the Northeast are continuing in their effort to create disaster recovery bonds for rebuilding in the wake of Superstorm Sandy in 2012.

A bill introduced earlier this month by two members of the House Ways and Means Committee proposes \$10 billion in qualified disaster recovery bonds for disasters between 2012 and 2015.

“Last Congress we had 41 bipartisan cosponsors in the House and 12 members on in the Senate, Timothy Carroll, a spokesman for Rep. Bill Pascrell, D-N.J., said in an email.

Pascrell is an original cosponsor of the bill, the National Disaster Tax Relief Act of 2017 (H.R. 3679) with Rep. Tom Reed, R-N.Y.

In an issue brief released earlier this month, CRS said, “The National Disaster Tax Relief Act (H.R. 3679) proposes a number of temporary tax relief measures for disasters that occurred in 2012, 2013, 2014, or 2015. The bill also proposes additional permanent disaster relief provisions that could be triggered with a federal disaster declaration.”

The Bond Buyer

By Brian Tumulty

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