

Bond Case Briefs

Municipal Finance Law Since 1971

Broader Private Activity Bond Use in Trump Infrastructure Plan.

CHICAGO (Reuters) - An infrastructure investment blueprint unveiled by U.S. President Donald Trump on Monday would expand the use of tax-exempt private activity bonds (PABs), while lifting a cap on issuance of the debt.

Trump's proposal seeks to provide \$200 billion in federal funds to spur \$1.5 trillion in infrastructure investments with state, local and private partners over the next 10 years.

The PABs provision is aimed at increasing the leveraging of federal funds to allow for more efficient infrastructure improvements, according to the president's legislative outline for rebuilding infrastructure.

PABs had been targeted for extinction by House Republicans in their version last year of the federal tax bill, but the final bill signed into law by Trump in December retained the debt's federal tax exemption.

These bonds, which accounted for 27 percent of issuance in 2015, are sold for an array of projects including airports and affordable housing, as well as for nonprofit hospitals, nursing homes, and colleges. Tim Fisher, government affairs manager at the Council of Development Finance Agencies, said the proposal creates new PAB categories, while modifying others.

"It'll take some time for us to evaluate the package as a whole, but I'm very pleased by the PAB improvements outlined in the proposal," he said.

New uses for PABs would include construction of hydroelectric power generating facilities and environmental remediation for brownfield and superfund sites, as well as facilities for rural broadband, flood control, and storm water.

The current use of PABs for airports, water ports, mass transit, water and sewer and surface transportation facilities would be expanded to allow more privately financed infrastructure projects to benefit from tax-exemption.

PABs would no longer be subject to the alternative minimum tax in an effort to lower borrowing costs and increase their use, under Trump's proposal. In addition, a federal population-based, per-state annual cap on the issuance of certain types of PABs would be lifted.

Sandy MacLennan, president of the National Association of Bond Lawyers, said while the proposal appears to look good for the U.S. municipal bond market, public-private and local financings may be restricted under state laws.

"Further, while the financing options may be welcomed, the total proposed dollar investment seems small in comparison to reported needs," MacLennan said in a statement.

Reporting By Karen Pierog; Editing by Daniel Bases and Susan Thomas

FEBRUARY 12, 2018

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com