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Bill Aims to Rescue Cost-Saving Tool for Nonprofit Hospitals.

The measure would restore tax exemption for advance refunding bonds, which nonprofit organizations have used to finance major projects and manage debt.

The tax-exempt status for advance refunding bonds ended January 1 as a result of the Tax Cuts and Jobs Act, which President Donald Trump signed into law late last year. But a bipartisan bill introduced in the House this week would undo that, restoring a tool nonprofits have used to keep their costs down.

Reps. Randy Hultgren, R-Ill., and Dutch Ruppersberger, D-Md., who co-chair the Congressional Municipal Finance Caucus, introduced the measure Tuesday, arguing the bill is warranted because hospitals and other public and private entities serving local communities across the country need access to affordable debt.

“In recent years, tax-exempt advance refunding bonds have saved Illinois taxpayers $80 million per year on average,” Hultgren said in a statement. “Given that interest rates are expected to increase, this tool is especially important to states and local governments responsibly planning for the future.”

Ruppersberger said the tool had been saving nearly $37 million annually in Maryland.

The legislation won support from the American Hospital Association, which published a letter praising Hultgren for the bill.

“Tax-exempt advance refunding bonds were an important financing tool that allowed 501(c)(3) hospitals to respond to credit market conditions to reduce the cost of capital,” AHA Executive Vice President Tom Nickels wrote. “They have resulted in billions of dollars of savings for hospitals and the health care system. Loss of the ability to restructure debt with tax-exempt advance refundings will divert resources from patient care and could diminish access to needed health care services.”

There was concern among healthcare leaders last fall that Congress would revoke access to tax-exempt private activity bonds (PABs), as earlier drafts of the tax law would have done. But Hultgren and other lawmakers persuaded their colleagues to preserve PABs.

Their efforts to spare the tax-exempt status of advance refunding bonds, however, were unsuccessful, which is why they’re circling back now to push for the policy as a standalone measure.

Original cosponsors of the bill, H.R. 50003, include Reps. Luke Messer, R-Ind.; Ed Royce, R-Calif.; Dan Kildee, D-Mich.; and Michael Capuano, D-Mass.

The bill was sent to the House Ways and Means Committee, where it is unlikely to find support from chairman Rep. Kevin Brady, R-Texas, according to The Bond Buyer’s Lynne Hume, who reported Wednesday that Brady this week reiterated his opposition to expanding tax-exempt PABs or restoring advance refundings.

Health Leaders Media

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February 15, 2018

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