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Further Fallout from the 2017 Tax Legislation – Beware of Reissuance of Bank-Held Tax-Exempt Obligations.

Public finance tax lawyers have been acutely aware of the direct effects of the 2017 tax legislation, especially the elimination of tax-exempt advance refundings, but some of the indirect effects have begun to appear only recently. One of those is the triggering of bank rate adjustments resulting from the drop in the corporate tax rate. As frequently touted by the President, the legislation reduced the maximum corporate tax rate from 35% to 21%. The effect of this rate reduction on bond interest rates is more pronounced because of the popularity of bank placements of tax-exempt bonds in recent years. For a number of reasons, including to remain competitive, many banks have been willing to forego or reduce the interest rate increase to which they are entitled under the bank loan documents. This is obviously good news for bond obligors but the tax consequences – namely, a potential reissuance – must be kept in mind.

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By Bob Eidnier on February 13, 2018

The Public Finance Tax Blog

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