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Small Manufacturing Bonds Bill Would Raise Limit to $30 million.

Bipartisan legislation to raise the limit for small issue manufacturing bonds to $30 million has been filed by two members of the House Ways and Means Committee.

The Modernizing Agriculture and Manufacturing Bonds Act, H.R. 5422, sponsored by Reps. Stepanie Murphy, D-Fla., and Darin LaHood, R-Ill., expands the definition of manufacturing facility and eliminates restrictions on "directly related and ancillary facilities."

The issuance limit on tax-exempt private activity bonds for Industrial Development Bonds would be raised to $30 million from the current $10 million while the limitation for first-time farmers using so-called Aggie Bonds would be raised to $552,500 from $450,000.

A similar bipartisan bill to increase the limit on Aggie Bonds was introduced in the House last month by six House members from farm states. That bill would raise the borrowing limit for first time farmers slightly less than the Murphy-LaHood bill to $543,800. Aggie bonds are issued in about 16 states with Iowa accounting for $16 million of the approximately $36.1 million issued in 2017, according to a recent survey by the Council of Finance Development Agencies.

Rep. Abby Finkenauer, D-Iowa introduced the Aggie Bonds bill with Rep. Rick Crawford, R-Ark., as her lead Republican cosponsor. The other original cosponsors are Iowa Democratic Reps. Cynthia Axne and David Loebsack along with Republican Reps. Steve Watkins of Kansas and Jeff Fortenberry of Nebraska.

The Murphy-LaHood bill, meanwhile, is meant to address the steady decline of IDB issuance because the current limit is too small to finance most projects.

"The cap was set in the early 1980s and we want it to come into modern times," said Katie Kramer, vice president of CDFA.

A $30 million cap per issuance would be able to meet most of the demands of small to medium size manufacturers, according to CDFA's analysis.

There also are substantial limitations on who can use the bonds and how proceeds can be used under the current law.

In 2018 only $152.8 million in IDBs were issued nationally, according to a CDFA survey. That's a drop of more than 50% from the $316.5 million in IDBs issued in 2017.

Massachusetts was the largest IDB issuer in 2018 with $30.28 million issued, followed by Wisconsin with $28 million, Pennsylvania at $25.8 million, Georgia at $18.43 million, Indiana at $14.4 million and Iowa at $13.27 million.

The bill was introduced in previous sessions of Congress dating back to 2013 but has yet to pick up

broad sponsorship among lawmakers despite its widespread popularity among issuers.

Former Republican Rep. Randy Hultgren of Illinois, who lost his re-election bid in 2018, and Democratic Rep. Richard Neal of Massachusetts, who has stepped up to become chairman of the Ways and Means Committee, sponsored the bill previously.

Neal, a former mayor of Springfield, Massachusetts sponsored a number of municipal bond related bills in previous Congresses, but hasn't since becoming chairman of the committee with jurisdiction over tax legislation. Instead, Neal has looked to members of his committee to take over sponsoring bills that he previously championed.

"Our farmers and manufacturers deserve to have innovative and updated financing tools to invest in their local community and hire more workers," Murphy said in a press statement announcing her sponsorship of the bill.

Murphy said the legislation "will modernize the way farmers and manufacturers across the country acquire capital, providing them with the resources they need to grow, create more jobs, and bring their businesses into the 21st century."

LaHood said farming and manufacturing "are critical to the economic success of the constituents I represent in central and west-central Illinois."

"Our legislation will help entrepreneurs and first-time farmers receive the financing they need to grow, create good-paying jobs, and bolster our economy in the Midwest," LaHood said.

No Senate version has been introduced in this Congress.

A bipartisan Senate version was introduced in September 2016 and again in March 2017 by Sens. Sherrod Brown, D-Ohio and David Perdue, R-Ga.

Brown is awaiting a Republican co-sponsor before he reintroduces the Senate bill.

By Brian Tumulty

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