

# **Bond Case Briefs**

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## **Bring Back Tax-Exempt Advance Refundings.**

Over at our [Restructuring GlobalView blog](#), our public finance colleagues Pedro Miranda and Pedro Hernandez make the case for [bringing back tax-exempt advance refundings](#).

[The general shutdown of the economy in response to COVID-19 threatens businesses in most sectors of the economy](#), and the revenues that those businesses will lose cannot be taxed by state and local governments, threatening their budgets as well. [Lawmakers at all levels are searching for grand gestures and bold new ideas to relieve the extraordinary burdens that COVID-19 is imposing](#). However, the old and tried – the low-hanging fruit – may be even more useful than the new and untried. [Tax-exempt advance refunding bonds were a well-established tool that state and local governments formerly used to save money](#). They allowed state and local governments to reap the benefits of comparatively low prevailing interest rates even when their outstanding debt could not be redeemed until more than 90 days in the future. [Citing concerns \(even if only as fig leaf for the real objective of raising revenue\) about having two sets of bonds \(the original new money bonds and the advance refunding bonds\) outstanding concurrently for more than 90 days with but a single project to support them, Congress eliminated most tax-exempt advance refunding bonds in the Tax Cuts and Jobs Act of 2017](#). What better time than a once-in-a-hundred-years pandemic to restore tax-exempt advance refunding bonds to their rightful place?

If Congress restores them, before the ink on President Trump's signature is dry, tax-exempt advance refunding transactions will begin to take shape. The municipal bond market is completely familiar with the regulatory rules and business considerations involved. There are no new rules to learn or unintended consequences to consider. Working groups will convene, tax lawyers will be roused from their parents' basement, and state and local governments can obtain significant cash flow relief using a well-established financing technique.

**By Johnny Hutchinson on April 22, 2020**

**The Public Finance Tax Blog**

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