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HR2: U.S. House Infrastructure Tax Bill.

Including long sought provisions by BDA and BDA members, the Democratic House leaders this morning released their full transportation infrastructure bill. The House bill HR2, includes the following provisions:

Restoration of direct pay bonds: The bill proposes a new category of "Qualified Infrastructure Bond." QIBs would be taxable bonds similar to Build America Bonds where a cash credit accrues to the issuer for a portion of the interest expense. The reimbursement percentages for issuers are proposed to be (by year of issuance):

- 2020 through 2024: 42%
- 2025: 38%
- 2026: 34%
- 2027 and thereafter: 30%

The bill defines Qualified Infrastructure Bond as "100 percent of the available project proceeds of such issue are to be used for capital expenditures or operations and maintenance expenditures in connection with property the acquisition, construction, or improvement of which would be a capital expenditure." The bond must also qualify for tax exemption and meet arbitrage issue price requirements. Current refundings of QIBs would be permitted. Importantly, the proposal includes a provision effectively exempting QIB subsidy payments from budget sequestration.

*The Senate is considering highway legislation on a separate track. The Senate bill thus far is significantly smaller than the House version and does not include the bond provisions from the House bill.

Advance Refundings: The bill would effectively restore the statutory language that governed advance refundings before the enactment of the 2017 tax bill. That means each tax-exempt governmental bond would be eligible for a single advance refunding. The proposal would require that issuers demonstrate a present value debt service savings in order for issues to qualify for an advance refunding.

Bank qualified bonds: The bill would raise the annual issuance limit for bank qualified bonds from $10 million to $30 million, index that limit annually for inflation and, for 501(c)3 borrowers, apply the $30 million test at the level of the borrower.

Private activity bonds: The bill would raise the per state annual private activity bond volume cap from the greater of $75 per capita or $225 million to $135 per capita or $402 million and index both those figures for inflation going forward. PABs for water and sewer facilities would be exempt from the cap.

Small issue bonds: The bill would amend certain governing provisions for small issue manufacturing and first time farmer bonds according to the terms of HR 5422, the Modernizing Agricultural and Manufacturing Bonds Act.

Exempt facility bonds for recharging stations: The bill would create a new category of private activity bonds which could be issued to finance electric vehicle recharging stations.

Highway volume cap: The bill would raise the national volume cap for private activity highway bonds from $15 billion to $18.75 billion.

Restoration of targeted tax credit bond programs: The bill would restore authority to issue Qualified Zone Academy Bonds and certain other targeted tax credit bonds eliminated in the 2017 tax bill.

Establish School Infrastructure Bonds: The bill would authorize a new category of School Infrastructure Bonds (SIBs) where the proceeds are used for capital construction and repair of public school facilities as described in the bill. SIBs would be taxable bonds where the issuer receives a 100% reimbursement for interest costs. The bill would authorize $10 billion of SIB issuance per year for three years. Allocations would be on a formula basis.

The House Rules Committee has announced that they are accepting possible amendments to H.R. 2 before the bill goes to the House floor. House leadership has said they want to complete House action on the bill before the July 4 recess.

Bond Dealers of America

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