

Bond Case Briefs

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Water Sector Coalition Supports Lead Replacement Funding Using Tax-Exempt Bonds.

Last week, eight drinking water and municipal sector organizations wrote to Sen. Michal Bennet (D-Colo.) in support of his anticipated introduction of legislation to make it easier for water systems to finance full lead service line replacements with tax-exempt bonds.

Sen. Bennet's Financing Lead Out of Water (FLOW Act) is expected to mirror a House bill of the same name that was [introduced](#) in March with similar support from prominent industry organizations including the American Water Works Association and Association of Metropolitan Water Agencies (AMWA).

The [letter](#) explains how the task of fully replacing a lead service line is often complicated by the fact that ownership is split between the utility and individual homeowners. But when an AMWA member attempted to fully replace public and privately owned lead service lines, and pay for the project with tax exempt bonds, it had to navigate IRS rules that required documentation of how many private businesses operated out of homes where a private lead service line was to be replaced.

"The longer the IRS administrative process, the longer homeowners will have to live with lead service lines," AMWA and the other associations wrote. "If the complete elimination of lead service lines is the goal, then putting time-consuming administrative obstacles in the path of water systems is not the right approach."

In response, the FLOW Act would specify that "qualified lead service line replacement" projects are not subject to these IRS rules, thereby allowing water systems to pay for them more easily and efficiently with tax-exempt bonds. The bill would not require any water system to cover the cost of replacing a privately-owned lead service line but would merely ease administrative burdens on water systems that elect to do so.

Senator Bennet is expected to introduce the bill in the Senate as early as this week. While passage of the measure, as well as its House companion, is not certain before the end of the year, AMWA plans to enlist its members to help build support for the proposal on Capitol Hill and position it for inclusion in a future package of tax legislation.

WATER FINANCE & MANAGEMENT

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