

HAWKINS ADVISORY

TAX-EXEMPT BOND PROVISIONS IN SENATE H.R. 1

On Saturday, December 2, 2017, the U.S. Senate approved its version of H.R. 1, the Tax Cuts and Jobs Act. Unlike the version of H.R. 1 that was approved by the House of Representatives on November 16, 2017, the Senate version does not change existing provisions that permit the issuance of tax-exempt private activity bonds, tax credit bonds and tax-exempt bonds the proceeds of which finance property used as a stadium or arena for professional sports exhibitions, games or training. The Senate and House versions of H.R. 1, however, both eliminate the ability to issue tax-exempt advance refunding bonds after December 31, 2017.

Differences in the two versions of the tax act are expected to be negotiated and reconciled between representatives of the Senate and the House. News sources have reported that Kevin Brady, Chairman of the House Ways & Means Committee that drafted the House version of H.R. 1, has indicated he is open to preserving private activity bonds with some limits.

Also of note are changes made under the Senate version of the tax act to the alternative minimum tax (the "AMT") provisions of the Code. The AMT is retained in respect of individuals, with increased income thresholds at which the tax would apply for taxable years starting after December 31, 2017 and before January 1, 2026. After December 31, 2025, the provisions are scheduled to revert back to current levels. The corporate AMT is retained. According to certain commentators, the elimination of a number of deductions and the reduction in the corporate tax rate under the Senate version of the tax act could result in corporations not previously subject to the AMT being taxed under this provision.

Any questions regarding the foregoing may be addressed to a member of the Hawkins Delafield & Wood LLP Tax Department.

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