LEGAL UPDATES PUBLISHED: NOVEMBER 13, 2017

Senate Tax Reform Bill Preserves Private Activity Bonds

Service

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The version of proposed tax reform legislation that the U.S. Senate Finance Committee is considering this week treats private activity bonds (PABs) more favorably than does the draft bill already approved by the U.S. House Ways and Means Committee. PABs have been instrumental in boosting economic development and building the nation's infrastructure, and eliminating them would substantially increase borrowing costs for many organizations.

The Senate draft bill released November 9, 2017, contains provisions that would affect the municipal bond market by:

Preserving PABs and eliminating the alternative minimum tax (AMT). This would make PABs even more attractive to investors since most PABs (except those issued for nonprofit entities) are subject to AMT under current law.

Eliminating tax-exempt advance refunding bonds after December 31, 2017.

The tax reform bill under consideration in the House of Representatives (see our previous alert) negatively targeted the municipal bond market by proposing to:

Eliminate PABs after December 31, 2017.

Eliminate advance refunding bonds after December 31, 2017.

Eliminate tax credit bonds after December 31, 2017.

Eliminate tax exemption for bonds used to finance professional sports stadiums for bonds issued after November 2, 2017.

What This Means to You

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The Senate Finance Committee will consider its draft bill this week, and the full House is expected to vote on its version. Both the House and the Senate must pass identical bills before the proposed legislation can be signed into law by President Trump. A major overhaul to the federal tax code has not occurred since 1986.

Industry groups are encouraging borrowers to share their concerns with elected officials and to begin developing capital strategies in the event legislation is passed that eliminates PABs.

Contact Us

If you have questions about how the tax reform proposals might affect your organization, please contact attorneys Lynda R. Templen, Daniel W. Gentges and Cynthia G. Fletcher or senior paralegal Kate L. Albrecht with Husch Blackwell's Financial Services & Capital Markets team.

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