LEGAL UPDATES

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Tax Bill Targets Tax-Exempt Bonds

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On November 2, 2017, a draft of the Tax Cuts and Jobs Act was introduced in the U.S. House of Representatives. If enacted into law, the tax bill would eliminate or repeal certain tax-exempt bonds, substantially increasing borrowing costs for many organizations.

The tax bill proposes the following changes:

Tax-exempt **private activity bonds** (PABs) would be terminated after December 31, 2017. This includes qualified small issue bonds (industrial development revenue bonds), exempt facility bonds, qualified mortgage bonds, qualified veterans mortgage bonds, qualified student loan bonds, qualified redevelopment bonds and qualified 501(c)(3) bonds.

The tax exemption for **advance refunding bonds** would be eliminated for bonds issued after December 31, 2017.

Tax credit bonds would be eliminated, effective December 31, 2017.

The tax exemption for **bonds used to finance professional sports stadiums** (any facility that is used as a stadium or arena for professional sports exhibitions, games or training for at least five days in any calendar year) would be eliminated for bonds issued after November 2, 2017.

What This Means to You

If the proposed Tax Cuts and Jobs Act is enacted in its current form, it would substantially increase borrowing costs for many organizations. While further debate and discussion on the draft legislation are expected, industry groups are encouraging borrowers to share their concerns with elected officials and to begin developing capital strategies in the event the legislation is passed as proposed.

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Contact Us

If you have questions about how the proposed tax bill might affect your organization, please contact attorneys Lynda Templen, Dan Gentges, Cyndi Fletcher or senior paralegal Kate Albrecht.

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