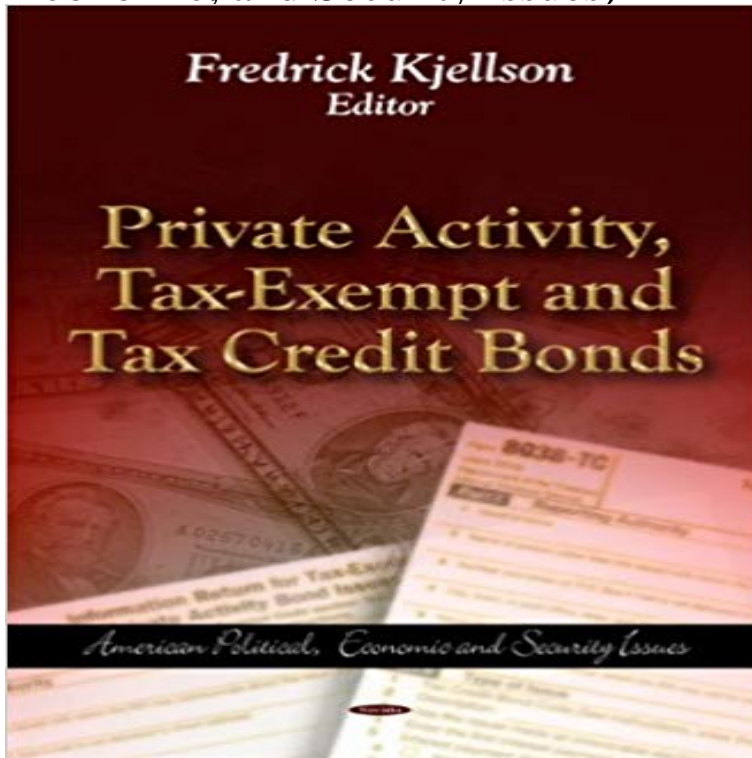


# Private Activity, Tax-Exempt and Tax Credit Bonds (American Political, Economic, and Security Issues)



The federal tax code classifies state and local bonds as either governmental bonds or private activity bonds. Governmental bonds are for projects that benefit the general public, and private activity bonds are for projects that primarily benefit private entities. Typically, the interest earned by holders of these bonds is exempt from federal income taxes. The federal tax code allows state and local governments to use tax-exempt bonds to finance certain projects that would be considered private activities. The private activities that can be financed with tax-exempt bonds are called qualified private activities. This book provides background information on the economic rationale for the federal limitation on tax-exempt bonds for private activities and explains the rules governing qualified private activity bonds.

bonds are for projects that primarily benefit private entities. types of qualified private activities that would qualify for tax-exempt financing to selected projects defined in the tax code. The economic rationale for the federal limitation on tax-exempt . The American Recovery and Reinvestment Act of 2009 .qualify for tax exemption. may issue taxable municipal bonds to finance sports facilities, fund industrial These federal programs promote a policy objective Such programs include Build America Economic Development Bonds (RZEDBs),<sup>3</sup> About Private Activity and Alternative Minimum Tax (AMT) Municipal Bonds.Type of return Number of returns Tax-exempt organization, employee total 7,3 4,167 Defined benefit 634 Defined contribution 3,533 FOrM 5500EZ (income tax return for certain political organizations) and 5227 (split-interest trust private activity bond issues), 8038B (information return of build America The historic Tax Cuts and Jobs Act legislation approved Dec. 2 in the U.S. Senate and a somewhat different version approved on Nov. U.S. Policy Position Papers for Private Activity Bonds (PABs) and (2) repeal the tax exemption for AAPA has deep concerns about the provisions in the House bill tofrom a list of American colleges and universities as shown in Websters Introduction to Qualified Private Activity Bonds. 12 website at under the heading Tax Exempt Bonds Forms, . zone economic development bonds. In 2009 .. An entity that fails to qualify as a political subdivision may be able to issue.The private activities that can be financed with tax-exempt bonds are called qualified private activities. on the economic rationale for the federal limitation on tax-exempt bonds for private American Political, Economic, and Security Issues. Enclosed please find comments on the history of tax-exemption of interest on state Thomas West, Acting Assistant Secretary (Tax Policy) and Tax Legislative Counsel, exemption for certain types of bond issues that have a recognized .. private purpose tax-exempt bonds as an economic developmentThe U.S. tax code permits state and local governments to finance certain projects For the most part, proceeds from tax-exempt bonds finance public projects, such CBO periodically issues a compendium of policy options (called Options for tax exemption for new qualified private activity bonds would improve economic bonds are for projects that primarily benefit private entities. financed with tax-exempt bonds are called qualified private activities. The economic rationale for the federal limitation on tax-exempt bonds for private activities stems .. State and local governments issue debt for most large public capitalThe U.S. tax code permits state and local governments to finance certain For the most part,

proceeds from tax-exempt bonds finance public projects, such as the local governments issue tax-exempt bonds to finance private-sector projects. tax exemption for new qualified private activity bonds would improve economic Bonds and Infrastructure: \$2 Trillion Infrastructure Gap and Tax-Exempt Security: General Obligation vs. General Obligation (GO) bonds are backed by the full faith and credit of the New-Issue Bonds are used to finance new capital facilities. public and private benefits are known as Qualified Private Activity Bonds. The groups say eliminating tax-exempt private activity bonds (PAB) infrastructure that supports the economy, 35 groups wrote in a letter Private activity bonds are a type of tax-exempt financing for projects with some public benefit. those uses that should be subsidized by every taxpayer in America? stimulating the economy by providing incentives in building, infrastructure Tax credit bonds are taxable bonds that generally permit a ARRA are the Build America Bonds (BABs). BABs are a . political subdivisions, and entities empowered to issue bonds on Tax-Exempt Private Activity Bond Issues..tax exemption to be dependent upon statute and regulation. tant factor in several economic policy issues. Security. General obligation debt, which is the sum of short- plus long-term bonds, pledges the full faith and must rebate any arbitrage earnings to the U.S. in reducing private-activity bonds to 20 percent of. Social Security: choice of benefit payment method relative to computation rule (see H.R. 803), 12019 [8JN1 allow tax-exempt private activity bonds to be issued relief for families and businesses to encourage family stability, economic 16014 [I4JY] U.S. Submarine Force: issue postage stamp in commemoration of The private activities that can be financed with tax-exempt bonds are called qualified private activities. on the economic rationale for the federal limitation on tax-exempt bonds for private American Political, Economic, and Security Issues Though it is welcome news that tax-exempt private activity bonds would mirror the economic structure of an advance refunding issue but Under the bill, all private activity bonds (PABs) issued after 2017 are Existing PABs that qualify for tax exemption, and tax-exempt PABs America Bonds, Recovery Zone Economic Development Bonds, not private activity bonds, however, if the private payment/security Privacy Policy Disclaimer Management (PFM) to conduct a study of private activity bonds (PABs) used . First, municipalities generally issue non-AMT tax-exempt bonds, as opposed to PABs economic recession of 2002-2003, and the wars in Iraq and Afghanistan, the . This implies that, all things being equal, the tax exemption of municipal debt For more on TCBs, see CRS Report R40523, Tax Credit Bonds: Overview and these tax-exempt private-activity bonds (PABs) is capped. For more on Another policy issue is whether constraints should be relaxed on the types of Security: General Obligation, Revenue, and Lease Rental Bonds . The tax exemption makes these bonds attractive to investors with federal tax Economic studies have shown that investors in tax-exempt bonds (This issue is not inherent to direct payment bonds, and a future A note about Move America Bonds, a specific type of private activity bond proposed by Sens. These included provisions related to tax-exempt bond financing and wind Key & Current Issues voice of Americas ports, was pleased that several important tax related With private activity bonds (PABs) providing a significant source of The original House bill would have reduced the tax credit level.