ARRA Bonds

Credit Rates on Tax Credit Bonds, IRS Notice 2009-15

The American Recovery and Reinvestment Act of 2009 (ARRA) created several new types of tax-exempt bonds and tax credit bonds under the Internal Revenue Code. The link above connects to the IRS notice that provides guidance regarding how the Treasury Department and the Internal Revenue Service (IRS) will determine and announce credit rates on certain tax credit bonds described in the notice.

Source: www.irs.gov

Build America Bonds and Direct Payment Subsidy Implementation, IRS Notice 2009-26

This program authorizes state and local governments to issue Build America Bonds as taxable bonds in 2009 and 2010 to finance any capital expenditures for which they otherwise could issue tax-exempt governmental bonds. State and local governments receive a direct federal subsidy payment for a portion of their borrowing costs on Build America Bonds equal to 35 percent of the total coupon interest paid to investors. This new program is intended to assist state and local governments in financing capital projects at lower borrowing costs and to stimulate the economy and create jobs.

Source: www.finance.senate.gov

NOTE: *After consultation with Treasury's IRS, the Office of Management and Budget (OMB) announced on October 9, 2009 that it has determined the ARRA's Build America Bonds program is excluded from the scope of Single Audit.*

Alabama Build America Bonds Issuance (as of 3/26/2010)				
Sale Date	**Issue**	**Amount ($millions)**	**Ratings**	**Call Provision**
2/26/2010	Mobile County, Ala.	$6.2	Aa3/AA/NR	6/1/20 @ par
12/17/2009	Selma, Ala.	$12.0	NR/AAA/NR	2/1/19 @ par
12/14/2009	Vestavia Hills, Ala.	$6.1	Aa2/–/AA	2/1/19 @ par
11/24/2009	Mobile, Ala.	$16.8	A1/AA–/NR	2/15/19 @ par
10/15/2009	University of Alabama	$135.1	Aa3/AA–/NR	7/1/19 @ par
9/16/2009	Troy University, Ala.	$48.2	Aa2/AAA/NR	11/1/19 @ par
	Total	**$224.4**		

New Clean Renewable Energy Bonds Application Solicitation and Requirements, IRS Notice 2009-33

The bill authorizes an additional $1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from the following resources: wind; closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; marine renewable; and trash combustion facilities. This $1.6 billion authorization will be subdivided into thirds: 1/3 will be available for qualifying projects of State/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives. This proposal is estimated to cost $578 million over 10 years.

Source: www.finance.senate.gov

Update: *On March 18, 2010, with the signing of the Hiring Incentives to Restore Employment Act issuers of Qualified School Construction Bonds, Qualified Zone Academy Bonds, New Clean Renewable Energy Bonds, and Qualified Energy Conservation Bonds to opt to receive direct subsidies from the federal government instead of providing tax credits to the purchasers of these bonds. Issuers of Qualified Zone Academy Bonds and Qualified School Construction Bonds that choose the direct subsidies will receive payments equal to the actual interest rate of the bonds or the tax-credit rate for municipal tax-credit bonds (set daily by the Treasury), whichever is lesser. Issuers of New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds will receive payments equal to 70% of that amount.*

Qualified Energy Conservation Bond Allocations for 2009 (QECBs), IRS Notice 2009-29

Alabama's Allocation: $48,364,000.00 *(*www.irs.gov*)*

The bill authorizes an additional $2.4 billion of qualified energy conservation bonds to finance State, municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions. The bill would also clarify that qualified energy conservation bonds may be issued to make loans and grants for capital expenditures to implement green community programs. The bill also clarifies that qualified energy conservation bonds may be used for programs in which utilities provide ratepayers with energy-efficient property and recoup the costs of that property over an extended period of time. This proposal is estimated to cost $803 million over 10 years. *Source:* www.finance.senate.gov

Click here to view large local government QECB 2009 allocations.

Update: *On March 18, 2010, with the signing of the Hiring Incentives to Restore Employment Act issuers of Qualified School Construction Bonds, Qualified Zone Academy Bonds, New Clean Renewable Energy Bonds, and Qualified Energy Conservation Bonds to opt to receive direct subsidies from the federal government instead of providing tax credits to the purchasers of these bonds. Issuers of Qualified Zone Academy Bonds and Qualified School Construction Bonds that choose the direct subsidies will receive payments equal to the actual interest rate of the bonds or the tax-credit rate for municipal tax-credit bonds (set daily by the Treasury), whichever is lesser. Issuers of New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds will receive payments equal to 70% of that amount.*

Qualified School Construction Bond Allocations for 2009 (QSCBs), IRS Notice 2009-35

Alabama's Allocation: $169,015,000.00 *(*www.irs.gov*)*

The bill creates a new category of tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed. There is a national limitation on the amount of qualified school construction bonds that may be issued by State and local governments of $22 billion ($11 billion allocated initially in 2009 and the remainder allocated in 2010). There is a national limitation on the amount of qualified school construction bonds that may be issued by Indian tribal governments of $400 million ($200 million allocated initially in 2009 and the remainder allocated in 2010). This proposal is estimated to cost $9.877 billion over 10 years.

Source: www.finance.senate.gov

Alabama's allocation of Qualified School Construction Bonds is being administered by the Alabama State Department of Education.

Update: *On March 18, 2010, with the signing of the Hiring Incentives to Restore Employment Act issuers of Qualified School Construction Bonds, Qualified Zone Academy Bonds, New Clean Renewable Energy Bonds, and Qualified Energy Conservation Bonds to opt to receive direct subsidies from the federal government instead of providing tax credits to the purchasers of these bonds. Issuers of Qualified Zone Academy Bonds and Qualified School Construction Bonds that choose the direct subsidies will receive payments equal to the actual interest rate of the bonds or the tax-credit rate for municipal tax-credit bonds (set daily by the Treasury), whichever is lesser. Issuers of New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds will receive payments equal to 70% of that amount.*

Sale Date	Issue	Amount ($millions)
12/3/2009	Alabama Public School & College Authority (on behalf of 36 districts)	$145.9
12/1/2009	Mobile County Board of School Commissioners, Ala.	$23.1
	Total	**$169.0**

Qualified Zone Academy Bond Allocations for 2008 and 2009 (QZABs), IRS Notice 2009-30

Alabama's Allocation: $26,621,000.00 *(*www.irs.gov*)*

The bill would allow an additional $1.4 billion of QZAB issuing authority to State and local governments in 2009 and 2010, which can be used to finance renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy. In general, a qualified zone academy is any public school (or academic program within a public school) below college level that is located in an empowerment zone or enterprise community and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates. QZABs are a form of tax credit bonds which offer the holder a Federal tax credit instead of interest. This proposal is estimated to cost $1.045 billion over 10 years. *Source:* www.finance.senate.gov

Update: *On March 18, 2010, with the signing of the Hiring Incentives to Restore Employment Act issuers of Qualified School Construction Bonds, Qualified Zone Academy Bonds, New Clean Renewable Energy Bonds, and Qualified Energy Conservation Bonds to opt to receive direct subsidies from the federal government instead of providing tax credits to the purchasers of these bonds. Issuers of Qualified Zone Academy Bonds and Qualified School Construction Bonds that choose the direct subsidies will receive payments equal to the actual interest rate of the bonds or the tax-credit rate for municipal tax-credit bonds (set daily by the Treasury), whichever is lesser. Issuers of New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds will receive payments equal to 70% of that amount.*

Recovery Zone Bond Volume Cap Allocations, IRS Notice 2009-50

Alabama's allocation of Recovery Zone Bonds is being administered at the local level by originally awarded localities. A waiver and re-allocation process that will transfer allocations from localities that do not intend to use their full allocation to those that require an additional allocation is being managed by the Alabama Development Office (Linda Swann – 334-353-0221 or Linda.Swann@ado.alabama.gov)

Attention local governments!

Important guidelines governing the use of Alabama Recovery Zone Volume Cap Allocations are available online. Click here to read the information issued on January 25, 2010, by Acting State Finance Director Bill Newton.

Alabama's Allocation: $611,690,000.00 *(*www.irs.gov*)*

Local Sub-allocations by city and county may be viewed by clicking here.

The bill would create a new category of tax credit bonds for investment in economic recovery zones. The bill would authorize $10 billion in recovery zone economic development bonds and $15 billion in recovery zone facility bonds. These bonds could be issued during 2009 and 2010. Each state would receive a share of the national allocation based on that state's job losses in 2008 as a percentage of national job losses in 2008 (each state will receive a minimum allocation of these bonds). These allocations would be sub-allocated to local municipalities. Municipalities receiving an allocation of these bonds would be permitted to use these bonds to invest in infrastructure, job training, education, and economic development in areas within the boundaries of the State, city or county (as the case may be) that has significant poverty, unemployment or home foreclosures. This proposal is estimated to cost $5.371 billion over 10 years.

Source: www.finance.senate.gov