

Client Alert

Current Issues Relevant to Our Clients

December 19, 2014

QZAB Program Extended

Congress recently authorized an additional \$400 million of nationwide volume cap for the qualified zone academy bond (“QZAB”) program. The bill authorizing such increase, H.R. 5771, the Tax Increase Prevention Act of 2014, is expected to be signed by President Obama this week.

The QZAB program permits issuers (such as school districts with schools in empowerment zones or enterprise communities or that have at least 35% of students who are eligible for free or reduced-cost lunches) to issue taxable QZABs that provide a tax credit to the holder and can be issued with little or no interest cost. Issuers can issue QZABs to (i) rehabilitate or refinance public school facilities, (ii) provide equipment, (iii) develop course materials, or (iv) train teachers or other school personnel.

A portion of the \$400 million of nationwide volume cap will be allocable to Illinois based on its population of individuals below the poverty line. For example, Illinois was awarded \$14,893,000 of nationwide volume cap for each of 2012 and 2013. Volume cap for Illinois is awarded to issuers pursuant to an application sent to the Illinois State Board of Education.

Finally, as part of H.R. 5771, Congress passed a technical correction that confirmed that QZABs cannot be issued as bonds under which an issuer can receive a direct cash subsidy from the federal government (*i.e.*, direct pay bonds) and that QZABs could not have been issued in the past as direct pay bonds under 2011, 2012 or 2013 volume cap.

For More Information

To discuss any of the topics covered in this client alert, please contact a member of our Public Finance Group or visit us online at chapman.com.

This document has been prepared by Chapman and Cutler LLP attorneys for informational purposes only. It is general in nature and based on authorities that are subject to change. It is not intended as legal advice. Accordingly, readers should consult with, and seek the advice of, their own counsel with respect to any individual situation that involves the material contained in this document, the application of such material to their specific circumstances, or any questions relating to their own affairs that may be raised by such material.

To the extent that any part of this summary is interpreted to provide tax advice, (i) no taxpayer may rely upon this summary for the purposes of avoiding penalties, (ii) this summary may be interpreted for tax purposes as being prepared in connection with the promotion of the transactions described, and (iii) taxpayers should consult independent tax advisors.

© 2014 Chapman and Cutler LLP. All rights reserved.

Attorney Advertising Material.