



FOCUSED ON FINANCE

# Public Finance

CURRENT ISSUES RELATED TO PUBLIC FINANCE

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## Low-Interest, Tax Exempt Industrial Development Bond Financing for Manufacturers Significantly Liberalized

Industrial Development Bonds (IDBs) are a form of financing for capital projects of manufacturers. Interest on IDBs is federally tax-exempt, thus enabling the lender, or bond purchaser, to charge **significantly lower interest rates** than those available through conventional financing.

IDBs have been in widespread use since the 1970's. In recent years, their use has been reduced by a 1970s-era restriction which limited to \$10,000,000 (over a six year period) the amount of capital expenditures of the borrower, other users of the facility and related persons which could be incurred in the community where the project is located.

On May 17, 2006, President Bush signed into law the Tax Increase Prevention And Reconciliation Act of 2005. One of the provisions of the law established a new effective date of January 1, 2007 for the **increase of the capital expenditures limitation applicable to industrial development bonds from \$10,000,000 to \$20,000,000.**

The upcoming increase to \$20,000,000 will now permit many more manufacturers to finance costs of acquisition, construction, renovation and/or equipping of their manufacturing facilities with low-interest, tax-exempt IDBs.

Manufacturers, by taking a few steps now, may also finance their 2006 capital projects by borrowing conventionally (taxably) today and refinancing the conventional financing with long-term, tax-exempt IDBs in 2007.

Please feel free to contact us with any questions or to discuss whether your manufacturing project qualifies for tax-exempt IDB financing.

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