

House Tax Bill Eliminates Tax-Exempt 501(c)(3) Bonds

The Republican tax bill introduced last week surprised municipal market participants by containing various provisions which limit the use of tax-exempt financing. For 501(c)(3) organizations, the most important of those limitations is a prohibition on the issuance of tax-exempt bonds benefitting 501(c)(3) hospitals and other health care and educational organizations. This prohibition would become effective January 1, 2018, and will affect both new money and refunding bonds.

If your 501(c)(3) organization is planning on using tax-exempt bonds to finance a capital project, you will need to fast forward your financing timetable. Similarly, if your organization is planning to refund an existing issue of tax-exempt bonds, the refunding will have to be closed by the end of this year.

There are other provisions in the tax bill which affect existing tax-exempt financing, most notably the reduction in the corporate tax rate from 35% to 20%. Most documents for tax-exempt bonds purchased by banks have provisions which will cause the bonds' interest rate to increase so as to preserve the banks' "after tax-yield."

If you would like to discuss a possible new bond issue, or the impact of the proposed legislation on your existing bonds, please contact [Bill Flynn](#), [Dave Schulz](#) or [John Wink](#).

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