



Major Legislative Victories for CDFA

CDFA's Capital Expenditure Limitation Amendment Passes Congress, Signed By President

After nearly two years of relentless lobbying and grassroots efforts, CDFA succeeded in passing its number one legislative priority through the United States Congress.

In May 2006, both the House and Senate passed the Tax Increase Prevention and Reconciliation Act of 2005. Included in the final version of the tax bill is the Council's amendment accelerating an increase in the capital expenditure limit on small issue Industrial Development Bonds (IDBs) from September 30, 2009 to December 31, 2006. The increase raises the capital expenditure limit from \$10 million to \$20 million. The bill was signed into law on May 17, 2006.

Arduous Process

In 2004, the Council worked with Congress to improve the use of IDBs by raising the capital expenditure limit on projects from \$10 to \$20 million. This bill (H.R. 4520), introduced by Congressman Phil English (R-PA), was a significant legislative victory for the Council and the development finance industry. However, under H.R. 4520, the increase was not scheduled to take effect until September 2009.

The Council immediately began to work with Congress to accelerate the effective date of this increase from 2009 to as soon as possible. Following the passage of separate bills in both chambers, the House and Senate Conference Committee began the process of reviewing and compromising on the differences between the two versions of the bill. In this final leg of the legislative struggle, the Council's legislative team mobilized a comprehensive grassroots effort to convince conference committee members to support the CDFA amendment in the Senate's bill.

CDFA declared victory on May 9, 2006 when, after months of legislative efforts, the Conference Committee informed the Council that they had agreed to include the amendment accelerating the increased capital expenditure limit in the final version of the Tax Increase Prevention and Reconciliation Act of 2005.

Industrial Development Bonds (IDBs) are tax-exempt financings that provide low-cost debt to small- and mid-sized companies that do not have access to credit markets, unlike their Fortune 500 competitors. Without the Council's provision, these groups would have to pursue higher cost financing, or projects would be dropped or reduced, effectively limiting the economic development and job creation produced by these companies.

Significant Impact

In 2004, CDFA succeeded in getting Congress to improve the use of IDBs by raising the capital expenditure limit on projects from \$10 million to \$20 million. Combined with the 2006 legislation moving the effective date to December 31, 2006, the use of IDBs has increased in the past year. IDB issuance has risen an average of 23 percent in each of the last three years as the new legislation has increased public awareness of the finance tool.

The Council's amendment within the tax bill accelerated the capital expenditure increase of \$10 million to \$20 million for the use of small issue IDBs from September 30, 2009 to December 31, 2006. The enactment of this amendment is expected to dramatically affect the use of IDBs nationwide.