

# THE BOND BUYER

Thursday, July 2, 2015 | as of 12:06 PM ET

Taxation

## Congressmen Reintroduce Manufacturing Bonds Bill

by [Naomi Jagoda](#)

JUN 29, 2015 3:26pm ET

WASHINGTON — Reps. Randy Hultgren, R-Ill., and Richard Neal, D-Mass., have introduced legislation that would increase the number of projects that could be financed by qualified small issue manufacturing bonds.

The bill, H.R. 2890 or the Modernizing American Manufacturing Bonds Act, was introduced on Thursday. It has been referred to the House Ways and Means Committee, of which Neal is a member.

Hultgren and Neal previously introduced MAMBA last year, but Congress didn't vote on it.

Qualified small issue manufacturing bonds are a type of private-activity bond whose proceeds can be used to finance manufacturing facilities for small- and mid-sized manufacturers. They are also known as industrial development bonds (IDBs).

Substantive permanent improvements to IDBs haven't been made since the 1980s. Since then there have been significant changes to the manufacturing sector, according to officials from the Council of Development Finance Agencies.

"Illinois' manufacturers are ready for the challenge of increasing engaging in our global and technology-based economy. Unfortunately, decades-old policies governing a key tool that manufacturers use to expand operations no longer address today's challenges, needlessly impeding growth and job creation in the Illinois manufacturing sector," Hultgren said in a news release. "MAMBA is a bipartisan bill that sensibly reforms these outdated rules without spending new taxpayer funds."

The bill would make two changes that were in effect for bonds issued in 2009 and 2010 under the American Recovery and Reinvestment Act but have expired. The legislation would broaden the definition of manufacturing facility so that IDBs to be used to also finance facilities that produce intangible property, such as software, in addition to tangible property. And it would allow IDBs to be used to finance facilities that are functionally related and subordinate to the production of tangible or intangible property, such as warehouses that temporarily store materials and laboratories that test raw materials.

Additionally, the bill would make two other changes to the tax law applicable to IDBs.

The measure would increase the maximum size of an IDB issue to \$30 million from \$10 million. The limit hasn't increased since 1979 and hasn't ever been indexed to inflation, CDFA said.

Also, the bill would increase the capital expenditure limitation for IDBs. Currently, a manufacturer can only issue IDBs if their capital expenditures, including the bond proceeds, are not more than \$20 million in the six-year period beginning three years before the date of the proposed new issue and ending three years after that date. Under the bill, that capital expenditure limitation would increase to \$40 million.

The legislation is a priority of CDFA, which has prepared a sample letter that stakeholders can use to urge their Congress members to co-sponsor the bill.

"The reintroduction of the Modernizing American Manufacturing Bonds Act shows Congressman Hultgren and Congressman Neal's continued support for American manufacturing," said Toby Rittner, CDFA president and chief executive officer. "CDFA is proud to support this legislation and looks forward to passage in both the House and Senate in the coming months."

Hultgren has visited manufacturers in and near his Chicago-area district to discuss the bill, including Freedman Seating Company and Bison Gear & Engineering Corp.

"This legislation modernizes traditional industrial development revenue bonds to reflect the needs of American manufacturing in the 21st century," Bison Gear executive chairman Ronald Bullock said.



© 2015 [SourceMedia](#). All rights reserved.