

THE BOND BUYER

PABs bill helping small manufacturers and farmers introduced in House

By

[Caitlin Devitt](#)

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Small manufacturers and farmers would win expanded access to tax-exempt private activity bonds under a bipartisan bill introduced in the House last Thursday.

The [Modernizing Manufacturing and Agricultural Bonds Act](#), introduced by Rep. Darin LaHood, R-Ill., would triple the amount of industrial development bonds – also known as industrial revenue bonds – that can be issued for small manufacturing facilities, as well as link future thresholds to inflation and broaden what bond proceeds can be used to finance. It would also increase the amount of bond proceeds from agricultural, or "aggie" bonds, that can go to farmers and what those proceeds can finance.

It's the [latest version of similar bills](#) that have failed to gain traction in previous Congressional sessions despite bipartisan support. Most recently, the bill was included in the [House version of Build Back Better](#), but dropped amid negotiations as the legislation morphed into the [Inflation Reduction Act](#).



Flint, Mich. Rep. Dan Kildee has co-sponsored a bill that would expand the use of private activity bonds to help small manufacturers and first-time farmers. **Bloomberg**

"Given the inflationary environment and the hikes at the Federal Reserve, it's time to update these tools," said Mitchell Smith, director of government and external affairs at the Council of Development Finance Agencies. "It's a short bill, it's to the point: six reforms are included to make IDBs and aggie bonds really useful tools and bring them into the 21st century."

The bill would lift the maximum IDB bond size to \$30 million from \$10 million – a limit that was set decades ago – and tie future threshold increases to inflation. It would expand the definition of manufacturing facilities to include "high-tech manufacturing processes, including biotechnology, design and formula development." It would allow bond proceeds to be used for office spaces, locker rooms and cafeterias at small manufacturing facilities.

On the agricultural side, the bill would raise the amount of proceeds that can go to first-time farmers to \$1 million from \$450,000 and allow bond proceeds to finance upgrades of existing agricultural buildings and the purchase of farm equipment.

"Manufacturing and agricultural bonds can be powerful economic development tools to support farmers and small manufacturing businesses, but the bond programs need to better work for small businesses and farmers," said Rep. Dan Kildee, D-Mich., a co-sponsor, in an emailed statement. "Modernizing these bonds and cutting government red tape will grow our local economy and create more good-paying jobs in mid-Michigan."

Other co-sponsors are Rep. Randy Feenstra, R-Iowa, and Rep. Dwight Evans, D-Pa.

IDB bonds have become less popular among CDFA members as the \$10 million limitation has failed to keep pace with growing costs of building manufacturing facilities, Smith said. "They're looking at these projects costing between \$15 million, \$20 million, \$30 million," he said. "If you can go get a \$30 million issuance, then you take care of it."

The CDFA is lobbying for additional cosponsors on the House bill and hopes to see a Senate version introduced soon. Attaching it to a larger tax vehicle — such as the farm bill — may prove key to successful passage, Smith added.