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Taxation

## States Will Have Increase in PAB Capacity in 2017

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WASHINGTON – States will have a modest increase in their capacity to issue private activity bonds in 2017 due to population increases and higher cap space allowed by the Internal Revenue Service.

The 50 states, the District of Columbia and the Commonwealth of Puerto Rico will have a total of roughly \$35.69 billion of new capacity in 2017, an increase of 9.84% from the \$32.49 billion in 2016.

[Click here to see PAB chart](#)

The 9.84% increase is more than nine percentage points higher than the increase heading into 2016, which was a 0.76% increase from the prior year.

The increase is due to the higher minimum amount of cap allowed by the Internal Revenue Service as well as population gains across the board. The PAB volume cap limit is based on the latest state population estimates released by the U.S. Census Bureau on Dec. 20 and a revised PAB cap formula published by the Internal Revenue Service in October.

The 2017 PAB volume cap for each state is the greater of \$305.32 million or \$100 per capita for each state for 2017. That's a slight change from the 2016 cap formula, which had the same per capita amount but a lower minimum of \$302.88 million. The 2016 U.S. population as of July 1, 2016 was 326.54 million, up from the 324.37 million revised estimate for 2015.

A total of nine states will have PAB volume caps of \$1 billion or greater in 2017. California, the nation's most populous state, will have a \$3.93 billion cap in 2017, followed by Texas at \$2.79 billion and Florida at \$2.06 billion.

The remaining states with a cap of greater than \$1 billion are Georgia, Illinois, New York, North Carolina, Ohio, and Pennsylvania. All had populations of 10 million or greater in 2016.

All but six states or territories will see increases in their new capacity to issue PABs in 2017.

Florida, at 1.68%, will have the biggest percentage increase in cap in 2017 compared with 2016. The Sunshine State had a \$2.03 billion volume cap in 2016. Washington State is next, with a 1.64% increase in cap to \$728.80 million, followed by Oregon with a 1.60% gain in cap to \$409.35 million.

Connecticut, Illinois, New Jersey, New York, Pennsylvania, and Puerto Rico will all have decreased PAB volume caps next year compared with 2016. All but New Jersey experienced population decreases between 2015 and 2016.

Puerto Rico, at -1.81% to \$341.13 million, will have the biggest drop in capacity for the coming year, followed by Illinois, with a -0.45% decrease to \$1.28 billion, and Connecticut, with a -0.40% reduction to \$357.65 million.

A total of 21 states and the District of Columbia will use the minimum amount of \$305.32 million in 2017.

Private activity bonds are used by state and local governments to provide low-cost financing for projects that provide some kind of public purpose but include some private involvement.

Qualified PABs subject to the volume cap are exempt facility bonds such as water and sewage facilities, hazardous waste facilities and other utility facilities, as well as qualified mortgage revenue bonds, small issue bonds, student loan bonds and redevelopment bonds.

Qualified PABs not subject to the volume cap include exempt facility bonds such as airports, docks and wharves, as well as qualified veterans' mortgage revenue bonds and qualified 501(c)(3) bonds.

No states or territories will have an increase or decrease of 2% or higher in 2017; nine will have a fluctuation of greater than 1%.

