

Legislative Front



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In June 2012, CDFA announced a new, exciting piece of legislation, the American Manufacturing Bond Finance Act (AMBFA).

The Act, authored by CDFA with the assistance of six hand-selected bond attorneys, provides a comprehensive reform package that will modernize and revolutionize Qualified Small Issue Manufacturing

Bonds, more commonly known as Industrial Development Bonds (IDBs) and manufacturing bonds. The eight suggested reforms laid out in the AMBFA will expand the capacity and usability of manufacturing bonds to help create American jobs immediately.

The AMBFA recommendations include:

Reform #1: Expand the Definition of Manufacturing to Include both Tangible and Intangible Manufacturing Production for Qualified Small Issue Manufacturing Bonds.

CDFA proposes updating the definition of manufacturing to allow for companies who produce both tangible and intangible property to access the capital markets. The expanded definition would cover software, formulas, patterns, and similar intellectual property. This change will help retain and create jobs, spur manufacturing investment, and accelerate the nation's economy.

Reform #2: Eliminate the Restrictions on "Functionally Related and Subordinate Facilities" for Qualified Small Issue Manufacturing Bonds.

CDFA proposes eliminating the restriction for "functionally related and subordinate facilities" using IDBs, allowing manufacturers to develop projects supporting modern business practices, providing for a better work environment, and diminishing the complexity of bond financing. This change would also give manufacturers the resources to plan long-term capital improvements, workforce development, and job creation.

Reform #3: Increase the Maximum Bond Size Limitation from \$10M to \$30M for Qualified Small Issue Manufacturing Bonds.

CDFA recommends increasing the maximum IDB size limitation from \$10M to \$30M. This relatively small change would have a limited impact on the federal budget, as IDBs will remain under the national volume cap. This change will give manufacturers an improved resource for making investments and creating jobs through an investment already largely accounted for by the federal government.

Reform #4: Increase the Capital Expenditure Limitation from \$20M to \$40M for Qualified Small Issue Manufacturing Bonds.

CDFA proposes increasing the capital expenditure limitation for IDBs from \$20M to \$40M. This change will align this important limitation with the cost of doing business in the 21st Century, opening the door for manufacturers with long-term expansion objectives to invest and create jobs.

Reform #5: Expand and Raise the Limits for Bank Deductibility to \$30M for Qualified Small Issue Manufacturing Bonds and Qualified 501(c)(3) Bonds.

CDFA proposes expanding and raising the small issuer limit for bank deductibility to \$30M for IDBs and Qualified 501(c)(3) Bonds [501(c)(3)s]. CDFA also proposes that Congress allow "bank qualified" debt to be applied on a borrower-by-borrower basis, rather than aggregating all



“bank qualified” bonds issued by an issuer. This change will give borrowers and issuers the ability to place their bonds with their local community banks.

Reform #6: Expand the 2% De Minimis Rule to Financial Institutions for Qualified Small Issue Manufacturing Bonds and Qualified 501(c)(3) Bonds.

CDFA recommends expanding the 2% de minimis rule for IDBs and 501(c)(3)s so that financial institutions are permitted to purchase new money tax exempt bonds issued in an aggregate amount not to exceed 2% of their adjusted bases of assets.

Reform #7: Eliminate the Restriction on the Use of Accelerated Depreciation by Manufacturers Using Qualified Small Issue Manufacturing Bonds Financing.

CDFA proposes eliminating the restriction on the use of accelerated depreciation by manufacturers

using IDBs, allowing small- to medium-sized manufacturers to access affordable rates while also benefiting from tax-savings in the early years of the investment. This change would encourage manufacturers to explore bond financing as a cost-effective way to make investments and create jobs.

Reform #8: Expand the Definition of a Draw-down Loan.

CDFA proposes to allow volume cap to be carried over for IDBs to put manufacturing bonds on par with other volume cap programs.

CDFA is currently working for introduction of the American Manufacturing Bond Finance Act in Congress and is seeking supporters to help advance this important piece of legislation.

Organizations can lend their support to CDFA's efforts by visiting www.cdfa.net.

CDFA Capitol Hill Day:

August 1, 2012

CDFA held its biggest Capitol Hill Day this past August with 50+ participants meeting with over 60 offices. Meetings were held with both the U.S. House of Representatives and U.S. Senate. Capitol Hill Day 2012 focused on getting support for the American Manufacturing Bond Finance Act.

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