

Client Alert

Current Issues Relevant to Our Clients

January 20, 2015

Obama Administration Announces Proposal for Qualified Public Infrastructure Bonds

On January 16, 2015, the Obama Administration announced in general terms its plans with respect to the maintenance and improvement of public infrastructure, including roads, bridges, ports, water purification plants and reservoirs, all of which are deemed critical services by the Administration for consumers and businesses alike. In announcing these plans, the Obama Administration noted its general desire to put private capital to work in revitalizing U.S. public infrastructure.

In order, in the Obama Administration's words, "to level the playing field for public private partnerships," the Administration is proposing the creation of a new type of tax-exempt municipal bond to be known as a Qualified Public Infrastructure Bond ("QPIB"). The legislation authorizing QPIBs will be structured to extend the benefits of tax-exempt municipal bonds to certain public private partnerships, including partnerships that involve long-term leasing and management contracts, with the intent of lowering the cost of borrowing for permitted infrastructure projects described below.

The Administration states that QPIBs will expand the scope of the existing Private Activity Bonds ("PABs") to include financing for airports, ports, mass transit, solid waste disposal, sewer, and water projects, as well as for more surface transportation projects. The QPIB bond program as currently proposed will have no expiration date and no issuance caps, and interest on these tax-exempt bonds will not be subject to the alternative minimum tax. However, as proposed, QPIBs would *not* be available for privately-owned facilities or privatizations of public facilities. It is unclear then, based on the Administration's announcement, what types of public private partnerships would be financeable with QPIBs (but the announcement does reference long-term leases and management contracts as acceptable P3 structures, and it states that more details on QPIBs will be available in the proposed Budget for federal fiscal year 2016, expected to be released the first week of February).

While the specifics of the Administration's QPIB proposal remain to be set out in detail, the proposal of a new tool for tax-exempt financing of infrastructure projects is a positive development for the infrastructure finance community. While the enactment of a proposal in the form presently described by the Administration is uncertain, the proposal merits watching by the infrastructure finance community given the support for infrastructure projects coming from both sides of the political debate.

For More Information

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