US Treasury Proposes a New Definition of “Political Subdivision” for Tax-Exempt Bond Purposes

April 2016

In its zeal to curtail the use of tax-exempt financing by certain development districts, the IRS has proposed a new definition of "political subdivision" that could terminate the status of numerous governmental entities whose governing boards are appointed rather than elected, making them ineligible to issue tax-exempt debt or use tax-exempt financed facilities as a governmental user. The proposed regulations purport to interpret and clarify current law, but countless municipal bond issuers could be caught in the crossfire.

Potentially affected municipal issuers include port and airport authorities, public hospital districts, public housing authorities, turnpike and expressway authorities and similar entities. While these regulations remain in proposed form, issuers who might be caught up in the broad provisions of the regulations should consider voicing their concerns directly to the IRS. The public comment period for these proposed regulations ends at 11:59 p.m. EDT, on May 23, 2016. The IRS has also scheduled a hearing for 10 a.m. EDT, June 6, 2016 at the IRS offices in Washington DC. If you want to speak at the hearing, you must make a request to do so by May 23, 2016.

News

Squire Patton Boggs Public Finance is ranked nationally (based on principal amount of issues) for 2015 by Thomson Reuters for service as bond counsel (10th); disclosure counsel (7th); and underwriter counsel (5th).


Pamela I. Hanover will present "Legislative Update" at OCCD's Spring meeting in Columbus on April 27.

Allison M. Binkley will co-present on "The Basics of Borrowing" at the CPIM in Findlay on May 18.

John W. Hutchinson will moderate the Treasury's Proposed Political Subdivision Regulations portion of the Legislative, Treasury and Internal Revenue Service Update panel at the ABA Tax Section Tax-Exempt Financing Committee meeting in May.