

SENATE BILL REPORT

SB 6438

As of January 27, 1998

Title: An act relating to private activity bond allocation ceilings.

Brief Description: Using a future increase in the private activity bond allocation ceiling.

Sponsors: Senators Winsley and Prentice.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 1/28/98.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Staff: Dave Cheal (786-7576)

Background: Under federal tax law, states are limited as to the total amount of tax exempt bonds that can be issued by all state and local government entities for private activity. Within that total, states are free to allocate percentages to different types of programs. Currently, 25 percent of the total can be used for housing, 15 percent for student loans, 20 percent for exempt facilities (primarily industrial infrastructure), 10 percent for public utilities, 25 percent for small issue purposes and 5 percent for redevelopment. Under the category small issue— are issuances of under \$10 million for small redevelopment projects.

The total private activity tax exempt bond cap is based on population and is currently \$50 per state resident. In recent years, that has amounted to approximately \$270 million annually.

Pending federal legislation would increase the formula to \$75 per resident, which roughly accounts for the effects of inflation since 1986 when the bond cap was first enacted.

Summary of Bill: In the event the per capita state ceiling on private activity tax exempt bond issuance is increased, the program allocation changes. Fifty percent of the increase is made for housing and the remainder is made to the other uses in proportion to their percentage in effect at the time of the federal increase.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.