Tax-Exempt Bonds, 2007

by Emily Shammas

Tax-exempt bonds are issued by State and local governments to finance a variety of projects, including construction or improvement of essential facilities and infrastructure, as well as to help provide services for citizens.[1] Bonds issued by State and local governments are classified as either "governmental" or "private activity," depending on whether the proceeds are used and secured by public or private entities and resources.

The total amount of tax-exempt bonds issued by State and local governments increased 20.6 percent between Calendar Years 2006 and 2007, from $428.3 billion in 2006 to $516.7 billion in 2007. For 2007, governmental bonds accounted for $379.3 billion (73.4 percent) of total tax-exempt bond proceeds, while private activity bonds accounted for the remaining $137.4 billion (26.6 percent).

When a bond is issued, the issuer is obligated to repay the borrowed bond proceeds, at a specified rate of interest, by some future date. For Federal income tax purposes, investors who purchase governmental bonds and certain types of private activity bonds are allowed to exclude the bond interest from their gross incomes.[2] This tax exemption effectively lowers the borrowing cost incurred by tax-exempt debt issuers, since holders of tax-exempt bonds are generally willing to accept an interest rate lower than that earned on comparable taxable bonds. The interest exclusion for tax-exempt bonds is not allowed for arbitrage bonds and bonds not in registered form.[3,4]

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Both governmental and private activity bonds are obligations issued by or on behalf of State and local governmental units; it is the use of proceeds that differentiates the two. Governmental bond proceeds finance essential government operations, facilities, and services that are for general public use, and the debt service on these bonds is paid from general governmental sources. Private activity bonds are issued by or on behalf of local or State governments for the purpose of financing the project of a private user. Since the private activity bond proceeds are used by one or more private entities, the debt service is paid or secured by one or more private entities. Specifically, section 141(a) of the Internal Revenue Code provides that the term private activity bond means any bond issued as part of an issue which meets: 1) the private business tests set forth in IRC section 141(b); or 2) the private loan financing test set forth in IRC section 141(c).[5] Interest income earned on most private activity bonds is taxable. However, over the years, Congress has deemed certain types of private activities necessary for the public good, and, therefore, interest income earned on "qualified private activity bonds," as defined in IRC section 141(e), is generally tax-exempt.[6, 7]

Over time, the list of qualified activities and facilities eligible for tax-exempt bond financing has been expanded. Appendix A provides an historical overview of major tax-exempt bond legislation, dating back to the Tax Reform Act of 1986. Appendix B covers the most recent bond legislation, the American Recovery and Reinvestment Act of 2009. The Act (ARRA09) included several new types of tax-exempt and tax-credit bonds intended to encourage investment in infrastructure projects and job creation.

[1] The term "State" includes the District of Columbia and any Possession of the United States.

[2] In addition, for State income tax purposes, most States allow for the exclusion of interest on bonds issued by government agencies within their own States, thus increasing the benefit to bondholders.

[3] An arbitrage bond is one in which any portion of the proceeds is used to purchase higher-yielding investments, or is used to replace proceeds which have been used to purchase higher-yielding investments. Certain rules allow for arbitrage earnings with respect to tax-exempt bonds within a specified time period, so long as these earnings are rebated to the Department of the Treasury.

[4] A registered bond is defined as: "a bond whose owner is designated on records maintained by a registrar, the ownership of which cannot be transferred without the registrar recording the transfer on its records." (From the Municipal Securities Rulemaking Board's *Glossary of Municipal Securities Terms* http://www.msrb.org/msrbl/glossary/. See also IRC section 149(a) for additional information.)

[5] The private business tests of IRC section 141(b) define a bond as a private activity bond if both of the following criteria are met: 1) more than 10 percent of the bond proceeds are used for a private business purpose; and, 2) more than 10 percent of the bond debt service is derived from private business use and is secured by privately used property. The private loan financing test of IRC section 141(c) defines a bond as a private activity bond if the amount of proceeds used to (directly or indirectly) finance loans to nongovernmental persons exceeds the lesser of $5 million or 5 percent of the proceeds.

[6] Tax-exempt private activity bonds include "exempt facility bonds," qualified mortgage bonds, qualified veterans' mortgage bonds, qualified small issue bonds, qualified student loan bonds, qualified redevelopment bonds, and qualified section 501(c)(3) bonds (all of which are defined in the Explanation of Terms section of this article). Examples of exempt facilities include airports; docks and wharves; sewage facilities; solid waste disposal facilities; qualified residential rental projects; and facilities for the local furnishing of electricity or gas. Qualified section 501(c)(3) bonds are issued by State and local governments to finance the activities of charitable and similar organizations that are tax-exempt under IRC section 501(c)(3). The primary beneficiaries of these bonds are hospitals, universities, and organizations that provide low-income housing or assisted living facilities.

[7] The interest income from qualified private activity bonds (other than qualified section 501(c)(3) bonds) is subject to the alternative minimum tax requirements.

Tax-Credit Bonds

Tax-credit bonds are different from tax-exempt bonds in that they are not interest-bearing obligations. In lieu of receiving periodic interest payments from the issuer, a bondholder is generally allowed an annual income tax credit while the bond is outstanding. The amount of the credit is determined by multiplying the bond's credit rate by the face amount on the holder's bond. The credit rate on the bonds is determined by the U.S. Secretary of the Treasury and is an estimate of the rate that permits issuance of such bonds without discount and interest cost to the qualified issuer. The credit is includable in the bondholder's gross income (as if it were an interest payment on the bond), and it can be claimed against regular income tax liability and alternative minimum tax liability.

Among other provisions included as part of the Taxpayer Relief Act of 1997 was the creation of the first type of tax-credit bond—the Qualified Zone Academy bond. In 2005, two additional types—clean renewable energy bonds and Gulf tax-credit bonds—were created. In prior years, the lack of information reporting requirements and generally low issuance volumes prevented SOI from publishing separate data for tax-credit bonds. More recently, issuers of tax-credit bonds were required to submit to the IRS information filings similar to those required of tax-exempt bond issuers. Calendar Year 2007 marks the first issue year for which significant numbers of returns were filed for tax-credit bonds.

In 2007, State and local governments issued $144 million in new money long-term tax-credit bonds. These bonds were primarily issued as: Qualified Zone Academy bonds or clean renewable energy bonds.

The five States with the highest issuance of tax-credit bonds were Louisiana, Oregon, Kansas, Arkansas, and Massachusetts. Combined, they issued 23.6 percent of the new money long-term tax credit bonds.

Total Tax-Exempt and Tax Credit Bonds, 2007
[Money amounts are in millions of dollars]

Type of Bond	Number	Amount
	(1)	(2)
Total [1]	**29,714**	**516,901**
Tax-Exempt Bonds	29,633	516,757
Tax Credit Bonds	81	144

New Money, Long-Term Tax-Credit Bonds, by State of Issue and Bond Purpose, 2007 [2]
[Money amounts are in millions of dollars]

State	Total tax credit bonds [1]		Qualified zone academy bonds [2]		Clean renewable energy bonds [2]	
	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
All States	**81**	**144**	**64**	**119**	**17**	**24**
Arkansas	7	5	7	5	0	0
Kansas	7	6	7	6	0	0
Louisana	3	12	3	12	0	0
Massachusetts	12	3	0	0	12	0
Missouri	3	2	3	2	0	0
Oklahoma	5	1	5	1	0	0
Oregon	8	8	8	8	0	0
Wisconsin	3	1	3	1	0	0
All other States, combined	33	105	28	85	5	21

[1] Includes combined data from all governmental and private activity bond returns (Forms 8038-G and 8038) combined.

[2] Includes data from governmental and private activity bond returns (Forms 8038-G and 8038) that specifically referenced "qualified zone academy" bonds or "clean

NOTE: Detail may not add to totals because of rounding.

Bond Volume, by Term of Issue

Bonds are classified as either short-term or long-term, depending on the length of time from issuance to maturity. Bonds having maturities of less than 13 months are typically classified as short-term, while those having maturities of 13 months or more are classified as long-term. Governmental bond issues totaled $379.3 billion in 2007, an 18.8-percent increase from the $319.4 billion issued in 2006. Long-term bonds accounted for $316.3 billion, more than 83 percent of all governmental bond proceeds. Long-term bonds are generally used to finance construction or other capital improvement projects.

The remaining $63.1 billion of governmental bonds were issued for short-term projects. Most short-term governmental bonds are issued in the form of tax anticipation notes (TANs), revenue anticipation notes (RANs), or bond anticipation notes (BANs). TANs and RANs generally mature within 1 year of issuance, at which time the proceeds are paid from specific tax receipts or other revenue sources. The proceeds of a BAN are typically used to pay for startup costs associated with a future, long-term bond-financed project. A renewal BAN can be issued on maturity of an outstanding BAN, until, eventually, the proceeds of the future bond issue are used to pay off, or retire, the outstanding BAN. Combined, TANs, RANs, and BANs comprised 92.1 percent of all short-term governmental bond proceeds for 2007.

Tax-exempt private activity bond issues totaled $137.4 billion in 2007, a 26.2 percent increase from the $108.9 billion issued in 2006. Short-term bonds accounted for $0.9 billion, only 0.7 percent, of the total private activity bond proceeds for 2007.

Long-Term Bond Volume, by Type of Issue

Total bond issuance is composed of both ("new money") nonrefunding issues and refunding issues. The proceeds of new money issues finance new capital projects, while proceeds of refunding issues retire outstanding debt of prior bond issues. A bond issue can include both new and refunding proceeds.

Figures A1 and A2 show total issuance, as well as the split between new money and refunding issues, for both tax-exempt governmental and tax-exempt private activity bonds issued between 2002 and 2007. In 2007, new money issues represented approximately two-thirds of the total bond proceeds for both governmental and tax-exempt private activity bonds; refunding issues accounted for one-third of the proceeds.

Between 2006 and 2007, new money issues and refunding issues increased for both long-term governmental and tax-exempt private activity bonds. New money, long-term governmental bond issues increased by 11.0 percent, from 2006 to 2007; refunding issues increased by 26.1 percent. Tax-exempt new money private activity bond issues were 36.9 percent higher in 2007 than in 2006, while refunding issues increased by 10.4 percent.

Long-Term Bond Volume, by Selected Purpose

Figure B presents the composition of long-term tax-exempt bond proceeds, by selected purpose as well as type of issue, for both governmental and private

Figure A1

Volume of Long-Term Tax-Exempt Governmental Bonds Issued, by Type and Issue Year, 2002-2007

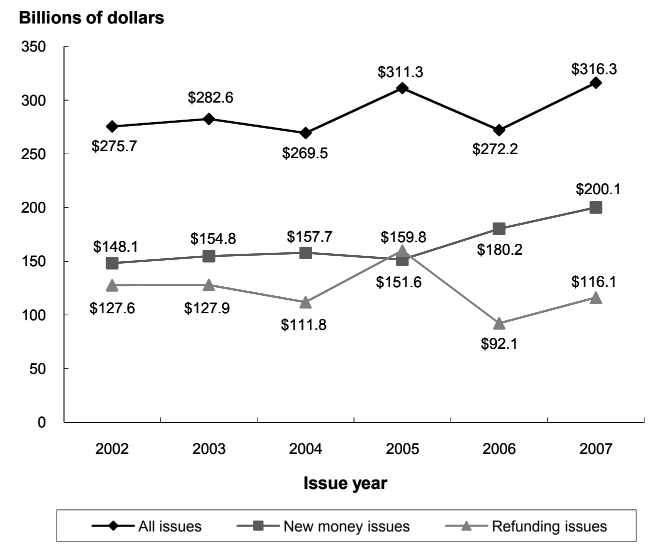
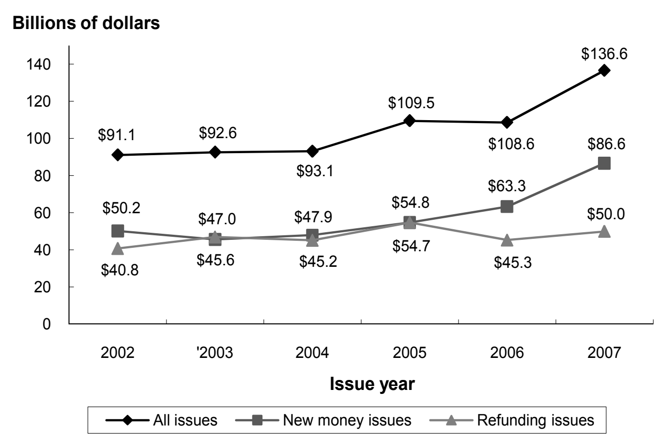


Figure A2

Volume of Long-Term Tax-Exempt Private Activity Bonds Issued, by Type and Issue Year, 2002-2007

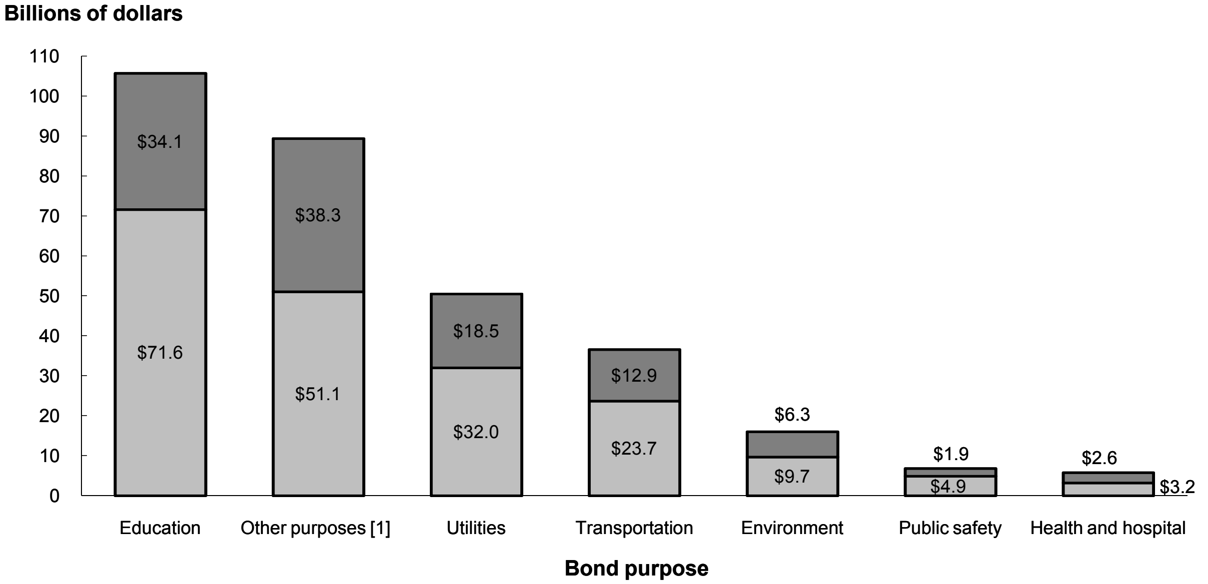


NOTE: Detail may not add to totals because of rounding.

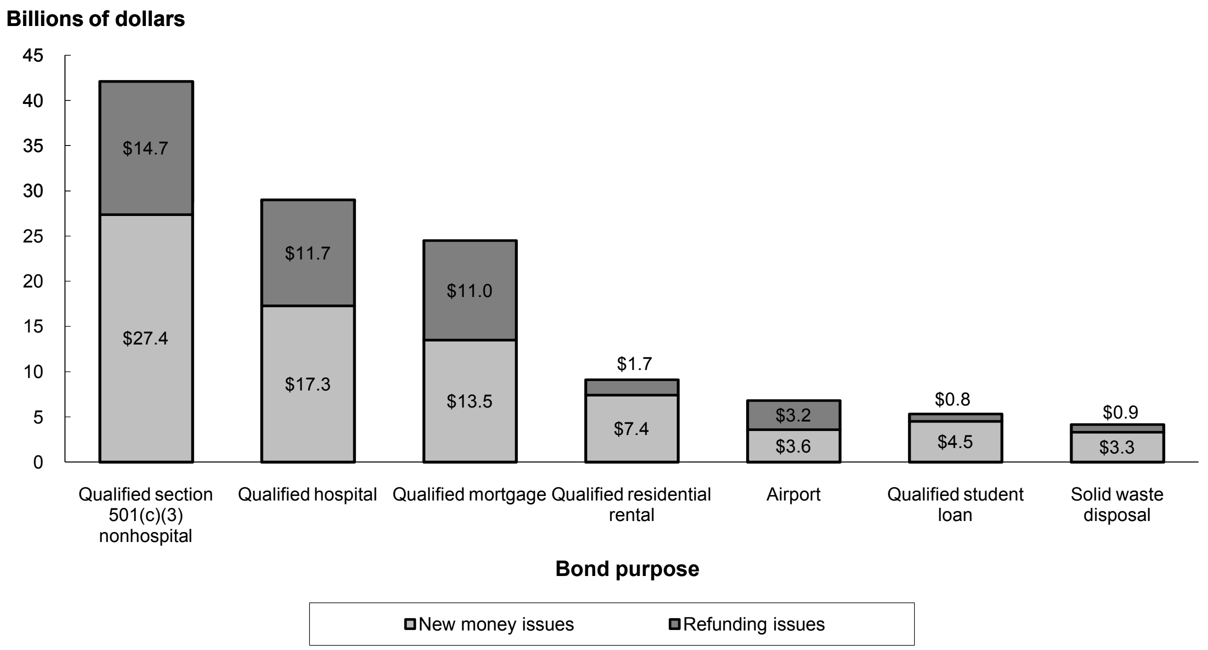
activity bond issues. Approximately 61.0 percent of the total $316.3 billion long-term governmental bond proceeds for 2007 financed education, utilities, and transportation projects. Just over one-fourth (28.3 percent) of the long-term governmental bond proceeds were allocated for "other bond purposes" (i.e., specific purpose(s) did not apply or were not separately allocated by the issuer). For all of the governmental bond purposes shown in Figure B, more pro-

Figure B

Long-Term Tax-Exempt Governmental Bonds, by Selected Bond Purpose and Type of Issue, 2007



Long-Term Tax-Exempt Private Activity Bonds, by Selected Bond Purpose and Type of Issue, 2007



[1] "Other purposes" refer to obligations for which a specific purpose either did not apply or was not clearly indicated on the Form 8038-G.

ceeds were spent financing new capital projects than were put toward refunding prior bond issues.

Qualified section 501(c)(3) bonds, which include total qualified hospital bonds and qualified nonhospital bonds issued to benefit other nonprofit charitable organizations, combined, accounted for 52.0 percent of the $136.6 billion of long-term private activity bonds issued for 2007. Private activity bonds issued to provide housing assistance in the form of qualified residential rental projects and qualified mortgages accounted for another 24.6 percent of total proceeds.

Overview of Bond Issues, by State

Total new money, long-term governmental bond volume increased by approximately $20 billion (11.0 percent) from 2006 to 2007. States with significant increases in new money, long-term governmental bond issues from 2006 to 2007 include Ohio, whose issuance rose 154.6 percent, from slightly less than $3.4 billion in 2006 to $8.6 billion in 2007; California, whose issuance rose from $23.1 billion in 2006 to $30.9 billion in 2007; Georgia, whose issuance rose from $4.4 billion in 2006 to $7.2 billion in 2007; and Massachusetts, whose issuance rose from $2.9 billion in 2006 to $4.8 billion in 2007.

Tennessee experienced a significant decrease in new money, long-term governmental bond issues, from $6.4 billion in 2006 to $1.6 billion in 2007, as did Wyoming, whose issuance fell 60.4 percent, from $134 million in 2006 to $53 million in 2007. In all, 22 States reduced the amount of new money, long-term governmental bonds issued from 2006 to 2007, by $55.6 billion, up from the 18 States whose combined issuance fell $10.2 billion for the corresponding 2005 to 2006 timeframe.

Figure C presents the amount of bonds issued for the top 15 States, in terms of total dollar volume of new money, long-term tax-exempt bonds issued for 2007, for both governmental and private activity bond issuances. Combined, the top 15 States accounted for 70.4 percent of the total $200.1 billion of new money, long-term governmental bond issues for the year. About $86.7 billion (43.3 percent) of the total were issued by authorities in the following five States: California (15.4 percent), Texas (11.2 percent), Florida (6.3 percent), New York (6.1 percent), and Ohio (4.3 percent). According to 2007 Census estimates, together, these five States accounted for 35.8 percent of the total U.S. population.[8]

An examination of issuance by State reveals some differences in the allocation of proceeds by bond purpose. Overall, for 2007, 35.8 percent of the $200.1 billion of new money, long-term governmental bonds was issued for educational purposes. However, the amounts allocated for this purpose varied by State. For example, the total amount of new money, long-term education bonds issued in Ohio represented approximately 73.9 percent of total State issuance, compared to 42.8 percent in Alabama and 21.2 percent in New York.

Bonds issued for other unspecified purposes accounted for 25.5 percent of States' total new money, long-term proceeds. Like educational bond issues, the total amount of other purpose bond issues ranged significantly across States. In the U.S. Possessions, 60.5 percent of the total new money, long-term governmental bond proceeds were for other purposes.[9] In contrast, in Ohio, only 11.7 percent was allocated for this purpose.

Nebraska allocated 76.8 percent of its total amount of new money, long-term governmental bonds to utility projects, a considerably larger share than in the U.S. total (16.0 percent). Arizona and Alabama also spent large portions of their total new money, long-term issuance on utility projects—36.2 percent and 33.9 percent, respectively.

Total new money, long-term tax-exempt private activity bond volume increased $23.3 billion (approximately 37 percent) from 2006 to 2007. Louisiana substantially increased its issuance of new money, long-term private activity bonds from 2006 to 2007, from $833 million in 2006 to $2.9 billion in 2007. The majority of this increase is attributed to $1.9 billion of Qualified Gulf Opportunity Zone and Gulf Opportunity Zone Mortgage bonds issued. These bond provisions were promulgated under the Gulf Opportunity Zone Act. They support capital investment and rebuilding in local and regional economies in parts of Louisiana, Mississippi, and Alabama that were devastated by hurricanes in 2005. Signifi-

[8] The resident population estimates were released by the U.S. Census Bureau on December 22, 2006, in Press Release CB06-187.

[9] U.S. Possessions include Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands.

Figure C1

New Money Long-Term Tax-Exempt Governmental Bonds, by Selected Bond Purpose, for Top 15 States, Ranked by Total Governmental Bond Issuance, 2007

[Money amounts are in millions of dollars]

State of issue	Total	Selected bond purpose									
		Education		Other purposes [1]		Utilities		Transportation		Environment	
	Amount	Amount	Percentage of State total	Amount	Percentage of State total	Amount	Percentage of State total	Amount	Percentage of State total	Amount	Percentage of State total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total, All States	**200,148**	**71,595**	**35.8**	**51,113**	**25.5**	**32,019**	**16.0**	**23,698**	**11.8**	**9,659**	**4.8**
California	30,919	12,475	40.3	6,195	20.0	6,653	21.5	2,424	7.8	1,952	6.3
Texas	22,347	9,009	40.3	4,031	18.0	5,113	22.9	3,211	14.4	d	d
Florida	12,552	4,887	38.9	3,273	26.1	2,081	16.6	1,464	11.7	432	3.4
New York	12,305	2,604	21.2	4,529	36.8	133	1.1	3,435	27.9	150	1.2
Ohio	8,594	6,349	73.9	1,002	11.7	426	5.0	520	6.1	167	1.9
Georgia	7,232	2,983	41.2	968	13.4	1,840	25.4	362	5.0	514	7.1
Illinois	6,848	2,681	39.2	1,830	26.7	1,224	17.9	863	12.6	57	0.8
Arizona	5,898	1,541	26.1	1,298	22.0	2,137	36.2	782	13.3	d	d
Pennsylvania	5,854	2,191	37.4	1,594	27.2	295	5.0	466	8.0	838	14.3
North Carolina	5,405	2,034	37.6	882	16.3	385	7.1	464	8.6	d	d
Washington	5,116	1,361	26.6	1,432	28.0	587	11.5	1,448	28.3	64	1.3
Massachusetts	4,801	1,695	35.3	2,431	50.6	d	d	251	5.2	307	6.4
Alabama	4,351	1,863	42.8	832	19.1	1,476	33.9	50	1.1	28	0.6
Virginia	4,330	1,460	33.7	1,447	33.4	388	9.0	223	5.2	502	11.6
U.S. Possessions [2]	4,314	0	0.0	2,609	60.5	d	d	0	0.0	d	d

Footnotes at end of figure.

Figure C2

New Money Long-Term Tax-Exempt Private Activity Bonds, by Selected Bond Purpose, for Top 15 States, Ranked by Total Tax-Exempt Private Activity Bond Issuance, 2007

[Money amounts are in millions of dollars]

State of issue	Total	Selected bond purpose									
		Qualified section 501(c)(3) nonhospital		Qualified hospital		Qualified mortgage		Qualified residential rental		All other bonds, combined [3]	
	Amount	Amount	Percentage of State total	Amount	Percentage of State total	Amount	Percentage of State total	Amount	Percentage of State total	Amount	Percentage of State total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total, All States	**86,576**	**27,352**	**31.6**	**17,270**	**19.9**	**13,508**	**15.6**	**7,359**	**8.5**	**6,893**	**8.0**
California	10,527	3,393	32.2	2,892	27.5	1,171	11.1	1,852	17.6	212	2.0
New York	8,193	2,920	35.6	952	11.6	264	3.2	1,622	19.8	1,869	22.8
Texas	5,079	886	17.4	2,001	39.4	568	11.2	367	7.2	433	8.5
Pennsylvania	4,533	2,117	46.7	959	21.2	311	6.9	d	d	d	d
Massachusetts	4,050	2,664	65.8	858	21.2	d	d	237	5.9	d	d
Florida	3,803	1,382	36.3	906	23.8	740	19.5	258	6.8	d	d
Illinois	3,785	1,333	35.2	897	23.7	948	25.0	292	7.7	0	0.0
Louisiana	2,910	347	11.9	220	7.6	211	7.3	d	d	0	0.0
Ohio	2,638	488	18.5	918	34.8	312	11.8	82	3.1	0	0.0
Georgia	2,510	842	33.5	777	31.0	208	8.3	214	8.5	d	d
Washington	2,380	562	23.6	865	36.3	217	9.1	387	16.3	d	d
Michigan	2,331	434	18.6	679	29.1	d	d	219	9.4	0	0.0
Mississippi	1,963	32	d	154	7.8	245	12.5	30	d	d	d
Arizona	1,915	867	45.3	542	28.3	96	5.0	98	5.1	d	d
Tennessee	1,787	399	22.3	119	6.7	257	14.4	122	6.8	857	48.0

d—Data deleted to avoid disclosure of information about specific bonds. However, the data are included in the appropriate totals.

[1] For purposes of this figure, "other purposes" refer to obligations for which a specific purpose either did not apply or was not clearly indicated on the Form 8038-G. It does not include specific purposes, such as public safety and housing, that are not shown separately in this figure. See Table 1.

[2] U.S. Possessions include Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands.

[3] For purposes of this figure, certain bond purposes were combined. For this reason, data in this figure will differ slightly from the data in Tables 8 and 9.

NOTE: Detail may not add to totals because of rounding.

cant increases also occurred in Arizona, whose issuance more than tripled, from $574 million in 2006 to $1.9 billion in 2007; Utah, whose issuance increased from $209 million in 2006 to $602 million in 2007; South Dakota, whose issuance increased from $138 million in 2006 to $386 million in 2007; and Oregon, whose issuance more than doubled, from $292 million in 2006 to $657 million in 2007.

Between 2006 and 2007, 33 States issued a smaller amount of new money, long-term private activity bonds. Altogether, this accounted for a total reduction of $2.7 billion. Arkansas experienced a significant decrease in new money, long-term private activity bond issuance, from $401 million in 2006 to $150 million in 2007, as did Indiana, whose issuance fell 61.7 percent, from $2.3 billion in 2006 to $0.9 billion in 2007. Similarly, Alaska and North Carolina's new money, long-term private activity bond issuance for 2007 decreased by 59.4 percent and 37.8 percent, respectively.

Combined, the top 15 States accounted for 67.5 percent of the total $86.6 billion of new money, long-term private activity bond issues for the year. Approximately 37.4 percent ($32.4 billion) of the total was issued by authorities in the following five States: California (12.2 percent), New York (9.5 percent), Texas (5.9 percent), Pennsylvania (5.2 percent), and Massachusetts (4.7 percent).

Similar to governmental bond issuance, there were differences in the composition of total new money, long-term private activity bond issuance, by purpose, among the States. Examining the bond allocations by purpose for 2007, overall, 31.6 percent of the amount of new money, long-term private activity bonds was issued for qualified IRC section 501(c)(3) nonhospital organizations. Another 19.9 percent was issued for qualified hospital bonds.

Of the total amount of new money, long-term private activity bonds issued in Massachusetts, 65.8 percent was issued for IRC section 501(c)(3) nonhospital organizations, compared to 32.2 percent in California and 11.9 percent in Louisiana for the same purpose. Qualified hospital bonds accounted for 39.4 percent of new money, long-term private activity bond issues in Texas, compared to 21.2 percent in Pennsylvania and 6.7 percent in Tennessee for the same purpose.

Together, States allocated only 8.5 percent of the $86.6 billion of new money, long-term private activity bonds in 2007 for qualified residential rental projects. However, both New York and California directed a much larger share of their total new money, long-term issuances to this purpose, 19.8 percent and 17.6 percent, respectively.

Tax-exempt private activity bonds are subject to State volume limitations, or volume caps. Most types of private activity bonds are subject to the unified State volume cap, which limits the aggregate dollar amount of bonds that each State can issue annually. For each of the qualified issue types subject to the unified volume cap, there is no specific limit on the dollar amount of issuance; rather, each State must allocate issuance authority in such a way that the combined issuance does not exceed the annual volume cap. The unified State volume cap is adjusted annually for population growth and is also indexed for inflation.[10]

Other types of private activity bonds are subject to separate volume limitations based on the specific bond purpose, or types of projects being financed. Refunding bonds are not subject to volume cap limitations, as long as there is no increase in the principal amount of the outstanding bond. Issuers can elect to carry forward unused volume cap for a specified bond purpose. Bonds issued with respect to the specified bond purpose are not subject to the volume cap for the following 3 calendar years.

Figure D shows the total amount of new money, long-term tax-exempt private activity bond issuance, new issues subject to the unified State volume cap, amounts applied from prior-year carryforward elections, and volume cap allocations, by State, for 2007. The total amount of new bonds issued by a State can exceed that State's total volume cap allocation in instances where bonds are issued for purposes other than those subject to the unified State volume cap and where amounts are being carried forward from previous years' allocations.

Unlike private activity bonds, governmental bonds are generally not subject to the volume cap. However, if more than $15 million of the proceeds of an issue are used in private use or disproportionate use, then the amount in excess of $15 million is subject to the volume cap, and the issuer is required

[10] For 2007, the volume cap was the greater of $85 per capita or $256,235,000. Volume caps for U.S. Possessions, with populations less than the population of the least populous State, are determined under IRC section 146(d)(4).

Figure D

New Money Long-Term Tax-Exempt Private Activity Bonds, Carryforward, and Volume Cap, by State of Issue, 2007

[Money amounts are in millions of dollars]

State of issue	Total amount of bonds issued	Amount subject to the unified State volume cap [1]	Amount not subject to the volume cap under a carryforward election [2]	Total volume cap allocation [3]
	(1)	(2)	(3)	(4)
Total, All States	**86,576**	**31,928.0**	**15,025.0**	**28,549.9**
Alabama	1,280	355.0	193.0	390.9
Alaska	297	228.0	228.0	256.2
Arizona	1,915	506.0	252.0	524.1
Arkansas	150	80.0	47.0	256.2
California	10,527	3,722.0	1,309.0	3,098.9
Colorado	1,371	552.0	268.0	404.0
Connecticut	1,547	311.0	36.0	297.9
Delaware	549	439.0	439.0	256.2
District of Columbia	1,106	198.0	185.0	256.2
Florida	3,803	1,125.0	822.0	1,537.6
Georgia	2,510	835.0	416.0	795.9
Hawaii	d	d	d	d
Idaho	526	510.0	430.0	256.2
Illinois	3,785	1,555.0	714.0	1,090.7
Indiana	889	214.0	0.0	536.6
Iowa	649	279.0	67.0	256.2
Kansas	624	437.0	316.0	256.2
Kentucky	486	331.0	7.0	357.5
Louisiana	2,910	402.0	56.0	364.5
Maine	384	261.0	175.0	256.2
Maryland	1,508	589.0	345.0	477.3
Massachusetts	4,050	512.0	4.0	547.2
Michigan	2,331	1,033.0	310.0	858.1
Minnesota	1,467	488.0	161.0	439.2
Mississippi	1,963	422.0	305.0	256.2
Missouri	1,395	548.0	147.0	496.6

Footnotes at end of figure.

to report the amount of the State volume cap allocated to the governmental issue.[11,12] For 2007, issuers reported allocating a combined $86 million of State volume cap to the total $379.3 billion of total tax-exempt governmental bond issues. This indicates some private business involvement, but not in an amount sufficient to satisfy the 10 percent use criteria for private activity bonds for each governmental bond issue.

Summary

Over 25,000 tax-exempt Governmental bonds were issued in 2007, raising $379.3 billion of proceeds for public projects such as schools, transportation infrastructure, and utilities. Of the $316.3 billion of long-term Governmental bonds issued, $200.1 billion of proceeds were used to finance new projects, while the remaining $116.1 billion of proceeds refunded prior Governmental bond issues. In addition, over

[11] Disproportionate use occurs when the proceeds to be used for the private business use exceed the amount of proceeds used for the related governmental use.

[12] IRC section 141(b)(5) states that a governmental bond will be treated as a private activity bond if: (1) the “nonqualified amount” exceeds $15 million, but is less than the amount needed to meet any of the private activity bond tests; and (b) the issuer does not allocate a portion of its volume cap to the issue in an amount equal to the excess of such nonqualified amount over $15 million.

Figure D—Continued

New Money Long-Term Tax-Exempt Private Activity Bonds, Carryforward, and Volume Cap, by State of Issue, 2007—Continued

[Money amounts are in millions of dollars]

State of issue	Total amount of bonds issued	Amount subject to the unified State volume cap [1]	Amount not subject to the volume cap under a carryforward election [2]	Total volume cap allocation [3]
	(1)	(2)	(3)	(4)
Montana	538	361.0	208.0	256.2
Nebraska	657	567.0	500.0	256.2
Nevada	816	302.0	136.0	256.2
New Hampshire	554	266.0	83.0	256.2
New Jersey	1,667	730.0	796.0	741.6
New Mexico	323	278.0	64.0	256.2
New York	8,193	2,020.0	646.0	1,641.0
North Carolina	1,435	826.0	359.0	752.8
North Dakota	441	363.0	305.0	256.2
Ohio	2,638	942.0	331.0	975.6
Oklahoma	461	299.0	33.0	304.2
Oregon	657	226.0	162.0	314.6
Pennsylvania	4,533	1,284.0	509.0	1,057.5
Rhode Island	357	262.0	263.0	256.2
South Carolina	862	383.0	48.0	367.3
South Dakota	386	290.0	241.0	256.2
Tennessee	1,787	1,260.0	1,037.0	513.3
Texas	5,079	1,848.0	264.0	1,998.2
Utah	602	292.0	113.0	256.2
Vermont	350	275.0	28.0	256.2
Virginia	1,614	789.0	561.0	649.6
Washington	104	761.0	128.0	543.6
West Virginia	2,380	248.0	197.0	256.2
Wisconsin	400	526.0	275.0	472.3
Wyoming	1,191	307.0	216.0	256.2
U.S. Possessions [4]	d	d	d	d

d—Data deleted to avoid disclosure of information for specific bonds when compared to other published data. However, the data are included in the appropriate totals.

[1] These calculations are based on the data reported on Part II of Form 8038 for type of issue, and include the following: mass commuting facilities, water furnishing facilities, sewage facilities, solid waste disposal facilities, qualified residential rental projects, local electric energy or gas furnishing facilities, local district heating and cooling facilities, qualified hazardous waste facilities, high-speed intercity rail facilities, qualified mortgage bonds, qualified small issue bonds, qualified student loan bonds, and qualified redevelopment bonds. No distinction was made for governmentally-owned solid waste or high-speed intercity rail facilities (which are not subject to the volume cap). As a result, figures could be slightly

[2] As reported on Form 8038, line 44b. An issuing authority can elect to carry forward its unused volume cap for one or more carryforward purposes (see IRC section 146(f)). If the election is made, bonds issued with respect to a specified carryforward purpose are not subject to the volume cap under IRC section 146(a) during the 3 calendar years following the calendar year in which the carryforward arose, but only to the extent that the amount of such bonds does not exceed the amount of the carryforward elected for that purpose.

[3] The volume cap amount was calculated based on State population estimates produced by the U.S. Bureau of the Census and published in *Internal Revenue Bulletin* Number 2007-11 (Notice 2007-23). For 2007, the volume cap was the greater of $85 per capita or $256.2 million.

[4] U.S. possessions include Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands.

NOTE: Detail may not add to totals because of rounding.

4,300 tax-exempt private activity bonds were issued in 2007, for a total $137.4 billion in proceeds. These tax-exempt private activity bond proceeds financed qualified private facilities (such as residential rental facilities, single family housing, and airports), as well the facilities of Internal Revenue Code section 501(c)(3) organizations (such as hospitals and private universities). Of the $136.6 billion of long-term private activity bonds issued, $86.6 billion of proceeds were used to finance new projects, while the remaining $50.0 billion of proceeds refunded prior tax-exempt private activity bond issues.

Data Sources and Limitations

The data presented in this article are based on the populations of Forms 8038, *Information Return for Tax-Exempt Private Activity Bond Issues,* and Forms 8038-G, *Information Return for Tax-Exempt Govern-*

mental Obligations, filed with the Internal Revenue Service for bonds issued during Calendar Year 2007. The data exclude returns filed for commercial paper transactions, as well as issues that are loans from the proceeds of another tax-exempt bond issue (pooled financings). Additionally, except where specifically mentioned, the data exclude returns filed for tax-credit bonds, which are treated separately for the purposes of this article.

Bond issuers were required to file bond information returns by the 15th day of the second calendar month after the close of the calendar quarter in which the bond was issued. However, in an effort to include as many applicable returns for a particular issue year as possible, the study period extended well beyond this timeframe. The study includes returns processed by the IRS from January 1, 2007, to May 31, 2009, for bonds issued in 2007. Where possible, data from amended returns filed and processed before the cutoff date were included. Late-filed returns for tax-exempt bonds issued during 2007, but processed after the cutoff date, were not included in the statistics.

During statistical processing, returns were subject to thorough testing and correction procedures to ensure data accuracy and validity. Additional checks were conducted to identify and exclude duplicate returns. Wherever possible, returns with incomplete information, mathematical errors, or other reporting anomalies were edited to resolve internal inconsistencies. However, in other cases, it was not possible to reconcile reporting discrepancies. Thus, some reporting and processing errors may remain.

Explanation of Selected Terms

Clean Renewable Energy Bonds (CREBs)—A type of tax-credit bond used to finance certain renewable energy and clean coal facilities. Section 54 of the Internal Revenue Code of 1986 (IRC) provides that the term clean renewable energy bond means any bond issued as part of an issue if (1) the bond is issued by a qualified issuer; (2) the bond is issued pursuant to an allocation by the Secretary of the Treasury to such issuer of a portion of the national clean renewable energy bond authority; (3) 95 percent or more of the proceeds of the issue are to be used for capital expenditures incurred by qualified borrowers for one or more qualified projects; (4) the qualified issuer designates such bond for purposes of section 54, and the bond is issued in registered form; and (5) the qualified issuer meets the applicable spending requirements.

Commercial paper—Commercial paper consists of short-term notes that are continually rolled over. Maturities average about 30 days but can extend up to 270 days. Many localities use commercial paper to raise cash needed for current transactions.

Enterprise Zone facility bond—A type of exempt facility bond, the proceeds of which may be used for certain businesses in “empowerment zones” or “enterprise communities.” Empowerment zone and enterprise community designations are made by the Secretaries of Agriculture and Housing and Urban Development and last for a 10-year period. Qualified enterprise zone facility bonds are generally subject to the same rules as exempt facility bonds.

Exempt facility bond—Bond issue of which 95 percent or more of the net proceeds is used to finance a tax-exempt facility (as listed in IRC sections 142(a)(1) through (13) and 142(k)). These facilities include airports, docks and wharves, mass commuting facilities, facilities for the furnishing of water, sewage facilities, solid waste disposal facilities, qualified residential rental projects, facilities for the local furnishing of electric energy or gas, local district heating or cooling facilities, qualified hazardous waste facilities, high-speed intercity rail facilities, environmental enhancements of hydroelectric generating facilities, and qualified public educational facilities.

Governmental bond—Any obligation issued by a State or local government unit that is not a private activity bond (see below). The interest on a governmental bond is excluded from gross income under IRC section 103.

Gulf Opportunity Zone bond—The proceeds of such bonds are used to finance the construction and rehabilitation of certain residential and nonresidential property located in certain localities in Alabama, Louisiana, and Mississippi, designated as the “Gulf Opportunity Zone.” This area constitutes the portion of the Hurricane Katrina disaster area determined by the President to warrant individual or individual and public assistance from the Federal Government, under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

IRC section 1400N(a)(2) defines a qualified Gulf Opportunity Zone bond as any bond issued as part of an issue if it meets the following requirements: (1)

95 percent or more of the net proceeds is to be used for qualified project costs, or such issue meets the requirements of a qualified mortgage issue, except as otherwise provided in IRC section 1400N(a); (2) such bond is issued by the State of Alabama, Louisiana, or Mississippi or any political subdivision thereof; (3) such bond is designated for purposes of IRC section 1400N(a) either by the Governor, or approved bond commission, of such State; (4) the bond is issued after December 21, 2005, and before January 1, 2011; and (5) no portion of the proceeds of such issue is to be used to provide any property described in IRC section 144(c)(6)(B).

Gulf Opportunity Zone bonds that meet the general requirements of a qualified mortgage bond issue, and the proceeds of such bond issues that finance residences located in the Gulf Opportunity Zone, shall be treated as qualified mortgage bonds ("Gulf Opportunity Zone Mortgage bonds"), as described in IRC section 1400N(a)(2)(A)(ii). The act also authorized the issuance of "Gulf Opportunity Zone Advance Refunding bonds," which allow for an additional advance refunding for certain bonds, issued by the States of Alabama, Louisiana, or Mississippi (or any political subdivision thereof), and outstanding on August 28, 2005. This provision was effective for bonds issued between December 21, 2005, and January 1, 2011. (See Internal Revenue Service Notice 2006-41, Internal Revenue Bulletin 2006-18, for additional information.)

New York Liberty Zone bonds—IRC section 1400L(d) authorizes the issuance of an additional type of exempt facility bond, namely, "Liberty bonds." Liberty bonds are subject to the following additional requirements: (1) 95 percent or more of the net proceeds of such issue must be used for qualified project costs; (2) the bond must be issued by the State of New York or any political subdivision thereof; (3) the Governor of the State of New York or the Mayor of the City of New York must designate the bond for purposes of section 1400L(d); and (4) the bond must have been issued after March 9, 2002, and before January 1, 2005. The maximum aggregate face amount of bonds that could be designated as Liberty bonds was $8 billion.

Nongovernmental output property bond—Bonds used to finance the acquisition of property used by a nongovernmental entity in connection with an output facility (such as an electric or gas power project). This bond must meet additional tests under IRC section 141(d).

Pooled financing— An arrangement whereby a portion of the proceeds of a governmental bond issue is used to make loans to other governmental units.

Private activity bond—Bond issue of which more than 10 percent of the proceeds is used for any private business use, and more than 10 percent of the payment of the principal or interest is either secured by an interest in property to be used for private business use (or payment for such property), or is derived from payments for property (or borrowed money) used for a private business use. A bond is also considered a private activity bond if the amount of the proceeds used to make or finance loans (other than loans described in IRC section 141(c)(2)) to persons other than governmental units exceeds the lesser of 5 percent of the proceeds or $5 million.

Qualified green building and sustainable design project—Bond issue of which 95 percent or more of the net proceeds is used to finance qualified green building and sustainable design projects, as designated by the Secretary of the Treasury, after consultation with the Administrator of the Environmental Protection Agency. The project must be nominated by a State or local government, and the issuer must submit a detailed application to the Treasury Department for consideration, and, on approval, allocation of a specified issuance amount. (See Internal Revenue Service Notice 2006-41, *Internal Revenue Bulletin* 2006-18, for additional information.)

Qualified highway or surface transfer freight facility bond—Bond issue of which 95 percent or more of the net proceeds is used to provide qualified highway or surface freight transfer facilities. Section 142(m)(1) defines the term "qualified highway or surface freight transfer facilities" as: (a) any surface transportation project that receives Federal assistance under title 23, United States Code (as in effect on August 10, 2005); (b) any project for an international bridge or tunnel for which an international entity authorized under Federal or State law is responsible and that receives Federal assistance under title 23, United States Code (as so in effect); or, (c) any facility for the transfer of freight from truck to rail or rail to truck (including any temporary storage facilities directly related to such transfers) that receives Federal assistance under either title 23 or title 49, United States Code (as so in effect). This legislation authorized issuance of up to $15 billion of such bonds, not subject to the unified volume cap, applicable to bonds issued after August 10, 2005. Allocation of the $15 billion national limitation is under the jurisdiction of the Department of Transportation. (See Internal Revenue Service Notice 2006-45, *Internal Revenue Bulletin* 2006-20, for additional information.)

Qualified mortgage bond—Bond issue of which the proceeds (except issuance costs and reasonably required reserves) are used to provide financing assistance for single-family residential property, and which meets the additional requirements in IRC section 143. Bond proceeds can be applied toward the purchase, improvement, or rehabilitation of owner-occupied residences, as well as to finance qualified home-improvement loans.

Qualified public educational facility bond—Bond issue of which 95 percent or more of the net proceeds is used to provide qualified public educational facilities, defined by IRC section 142(k)(1) as any school facility that is: (a) part of a public elementary or secondary school; and (b) is owned by a private, for-profit corporation under a public-private partnership agreement with a State or local educational agency. Under a "public-private partnership agreement," the corporation agrees to construct, rehabilitate, refurbish, or equip a school facility and, at the end of the term of the agreement, to transfer the school facility to the State or local educational agency for no additional consideration. Such bonds are not subject to the unified volume cap; rather, the annual State limit is equal to the lesser of $10 per resident or $5 million.

Qualified redevelopment bond—Bond issue of which 95 percent or more of the net proceeds is used to finance certain specified real property acquisition and redevelopment in blighted areas. (See IRC section 144(c) for additional requirements.)

Qualified section 501(c)(3) bond—A bond issued by State and local governments to finance the activities of charitable organizations that are tax-exempt under IRC section 501(c)(3). A bond must meet the following conditions to be classified as a section 501(c)(3) bond: 1) all property financed by the net proceeds of the bond issue is to be owned by a section 501(c)(3) organization or a governmental unit; and 2) the bond would not be a private activity bond if section 501(c)(3) organizations were treated as governmental units with respect to their activities that are not related trades or businesses, and the private activity bond definition was applied using a 5 percent threshold rather than a 10 percent threshold. The primary beneficiaries of these bonds are private, nonprofit hospitals, colleges, and universities. A qualified hospital bond issue is one in which 95 percent or more of the net proceeds is to be used for a hospital.

Qualified small issue bond—Bond issue generally not exceeding $1 million, and of which 95 percent or more of the net proceeds is used to finance the acquisition of land and depreciable property or to refund such issues. In certain instances, an election to take certain capital expenditures into account can increase the limit on bond size, from $1 million to $10 million. These bonds may only be used to finance manufacturing facilities and to benefit certain first-time farmers.

Qualified student loan bond—Bond issue of which 90 percent or more of the net proceeds is used to make or finance student loans under a program of general application subject to the Higher Education Act of 1965 (see IRC section 144(b)(1)(A) for additional requirements), or of which 95 percent or more of the net proceeds is used to make or finance student loans under a program of general application approved by the State (see Code section 144(b)(1)(B) for additional requirements).

Qualified veterans' mortgage bond— In general, a bond issue of which 95 percent or more of the net proceeds is used to finance the purchase, improvement, or rehabilitation of owner-occupied residences for veterans who: 1) served prior to January 1, 1977; and, 2) applied for such a mortgage prior to the date 30 years after leaving active service or January 31, 1985, whichever is later. The payment of interest and principal must be secured by a general obligation of the State, and the bond must meet certain requirements of IRC section 143. The issuance of qualified veterans' mortgage bonds was limited to the following five states: Alaska, California, Oregon, Texas, and Wisconsin, each of which had a veterans' mortgage bond program in effect prior to June 22, 1984.

Qualified zone academy bond—Section 54E(a) of the Internal Revenue Code provides that a qualified zone academy bond (QZAB) means any bond issued as part of an issue if: (1) 100 percent of the available project proceeds of such issue are to be used for a qualified purpose with respect to a qualified zone academy established by an eligible local education agency; (2) the bond is issued by a State or local government within whose jurisdiction the academy is located, and (3) the issuer: (a) designates such bond for purposes of this section; (b) certifies that it has written assurances that the private business contribution requirement of subsection 54E(b) will be met; and, (c) certifies that it has written approval of the eligible local education agency for such bond issuance.

Tax Reform Act transition property bond— A bond issued under transitional rules contained in the Tax Reform Act of 1986. Proceeds from bonds issued under these rules include issues used to fund such items as pollution control facilities, parking facilities, industrial parks, sports stadiums, and convention facilities. Proceeds from other bonds issued under the transitional rules are included in this category only if they could not be identified as another issue type.

NOTE: Additional tax-exempt bond data, including data for prior years, can be found on the SOI's Tax Stats: http://www.irs.gov/taxstats. (Click on "Tax-Exempt Bonds.")

Appendix A

Historical Overview of Tax-Exempt Bond Legislation, 1986-2008

- **The Tax Reform Act of 1986** (TRA86) included significant legislation intended to curb the use of tax-exempt bonds for private purposes.
    - TRA86 eliminated the use of tax-exempt bonds for privately-owned pollution control, water, sewer, and solid waste facilities; sports convention and trade show facilities, parking, and industrial parks.
    - The Act reduced the limit on private use of bond proceeds from 25 percent to 10 percent.
- The Act further tightened state volume limitations for private activity tax-exempt bonds through the unified state volume cap, which limited total state issuance. States were then left to allocate issuance amounts for each permitted bond type.
    - TRA86 imposed a limit of one advance refunding for Governmental bonds and qualified 501(c)(3) bonds, and prohibited advance refundings entirely for qualified private activity bonds.
    - TRA86 also made interest income on tax-exempt private activity bonds subject to alternative minimum tax requirements.
- **The Technical and Miscellaneous Revenue Act of 1988** expanded the definition of exempt facility types to include high-speed intercity rail facilities. Seventy-five percent of the principal amount of the bonds issued for high-speed rail facilities is exempt from the volume cap limit. However, if the property to be financed is owned by a governmental unit, then the bonds are completely exempt from the volume limit.
- **The Energy Policy Act of 1992** expanded the definition of exempt facility types to include environmental enhancements of hydro-electric generating facilities. Eligible facilities include those that protect or promote fisheries or other wildlife resources and those for recreational purposes or other improvements required by the terms of a Federal license for the operation of a hydroelectric generating facility. Bonds issued for these purposes are not subject to volume cap limitations.
- **The Omnibus Budget Reconciliation Act of 1993** authorized the designation of nine empowerment zones and 95 enterprise communities to provide tax incentives for businesses to locate within certain geographic areas designated by the Secretaries of Housing and Urban Development and Agriculture.
    - The Act expanded the definition of exempt facility types to include qualified enterprise zone facility bonds, which can be used by entities in the designated “Empowerment Zones” and “Enterprise Communities.”
- **The Taxpayer Relief Act of 1997**
    - The Act provided certain economically depressed census tracts within the District of Columbia designation as the “D.C. Enterprise Zone.”
    - The Act also authorized the issuance of Qualified Zone Academy Bonds (QZABs), the first type of tax-credit bond. A QZAB is a taxable bond issued by a state or local government, the proceeds of which are used to improve certain eligible public schools. Initially, $400 million of QZABs was authorized to be issued annually in calendar years 1998 and 1999.
- **The Economic Growth and Tax Reconciliation Act of 2001** expanded the definition of exempt facility types to include qualified public educational facility bonds, pursuant to IRC sections 142(a)(13) and 142(k). Issuance authority for this type of private activity bond applies to bonds issued after December 31, 2001 and before January 1, 2011 and is based on state population (but not subject to the unified volume cap).

- **The Job Creation and Worker Assistance Act of 2002**
  - The Act created IRC section 1400L to provide various tax benefits for the area of New York City damaged or affected by the terrorist attack on September 11, 2001. The Act authorized the issuance of up to $8 billion of Liberty Zone bonds, and up to $9 billion of Liberty Zone Advance Refunding bonds to be issued after March 9, 2002, and before January 1, 2005.
  - The Act also authorized issuance of up to $400 million of QZABs annually in calendar years 2002 and 2003.
- **The American Jobs Creation Act of 2004** expanded the definition of exempt facility types to include qualified green building and sustainable design projects. With certain exceptions, up to $2 billion were authorized for applicable bonds issued after December 31, 2004, and before October 1, 2009.
- **The Energy Tax Policy Act of 2005**, enacted on August 6, 2005, introduced the second type of tax-credit bond—Clean Renewable Energy Bonds (CREBs)—pursuant to IRC section 54. Initially, $800 million of CREBs was authorized to be issued before December 21, 2007. The allocation is under the jurisdiction of the Secretary of the Treasury.
- **The Safe, Accountable, Flexible, Efficient, Transportation Equity Act of 2005**, enacted on August 10, 2005, expanded the definition of exempt facility types to include qualified highway or surface freight transfer facilities, pursuant to IRC sections 142(a)(15) and 142(m). The allocation of the $15 billion national limitation is under the jurisdiction of the Department of Transportation.
- **The Katrina Emergency Tax Relief Act of 2005**, enacted on September 23, 2005, waived certain requirements applicable to qualified mortgage bonds under IRC section 143 by treating certain qualified residences as targeted area residences and increasing the permitted amount of a qualified home improvement loan with respect to such residences.
- **The Gulf Opportunity Zone Act of 2005** was enacted on December 21, 2005.
  - The Act was created to provide various tax benefits for certain areas of Alabama, Louisiana, and Mississippi—designated as the “Gulf Opportunity Zone” pursuant to IRC section 1400M—that were devastated by Hurricane Katrina.
  - Pursuant to IRC section 1400N, the Act created three new types of tax-exempt bonds: Gulf Opportunity Zone facilities bonds, Gulf Opportunity Zone mortgage bonds, and Gulf Opportunity Zone Advance Refunding bonds. Issuance authority applied to bonds issued after December 21, 2005, and before January 1, 2011.
- The Act also created a third type of tax-credit bond—Gulf tax-credit bonds. The maximum amount of Gulf tax-credit bonds authorized was $200 million in Louisiana, $100 million in Mississippi, and $50 million in Alabama. Issuance authority applied to bonds issued after December 21, 2005, and before January 1, 2007.
- **The Tax Relief and Healthcare Act of 2006**
  - The Act provided for $400 million of QZAB issuance authority for each of the calendar years 2006 and 2007. The Act also modified the current provisions by imposing the arbitrage restrictions of IRC section 148 to QZABs, and by requiring issuers to submit to the IRS information filings in a manner similar to tax-exempt bond issuers.
  - The Act increased the national bond volume cap for CREBs from $800 million to $1.2 billion, and extended issuance authority an additional year, through December 31, 2008. Further, the Act increased the maximum amount of CREBs that may be allocated to projects for governmental bodies to $750 million (from $500 million).

- It also made permanent the modifications (from The Tax Increase Prevention and Reconciliation Act of 2005) to state volume limits for qualified veterans' mortgage bonds issued in certain states; and expanded the permitted use of qualified mortgage bonds to finance mortgages for veterans who served in the active military without regard to the first-time homebuyer requirement.

- **The Energy Improvement and Extension Act of 2008** was enacted on October 3, 2008.

    - The Act provided for $800 million of New CREB issuance authority, applicable to qualified bonds issued after the date of enactment.

    - The Act also created Qualified Energy Conservation Bonds (QECBs), a new category of tax-credit bonds pursuant to IRC section 54D. The national bond volume cap for QECBs is $800 million. Each State receives a population-based QECB allocation, which then must be allocated to large, local governments in a similar fashion.

- **The Tax Extenders and Alternative Minimum Tax Relief Act of 2008**, enacted on October 3, 2008, provided for $400 million of QZAB issuance authority for each of calendar years 2008 and 2009.

- **The Housing Assistance Tax Act of 2008** enacted on July 30, 2008, amended IRC sections 143 and 146 related to qualified mortgage bonds. Specifically, the Act provided a temporary $11 billion increase in the annual private activity bond volume cap under section 146 for qualified housing issues and eased restrictions to permit the use of qualified mortgage bonds to refinance certain subprime mortgage loans.

Appendix B

American Recovery and Reinvestment Act of 2009 Tax-Credit Bond Provisions

- **American Recovery and Reinvestment Act of 2009 (ARRA09)** was enacted on February 17, 2009, to help stimulate the U.S. economy by providing tax incentives for infrastructure projects and promoting job growth. ARRA09 included several new types of tax-exempt and tax-credit bonds.

- **Build America Bonds (BABs)** are a new category of taxable tax-credit bonds that bond issuers can elect to issue in lieu of tax-exempt bonds. Specifically, as defined by IRC section 54AA(d), a Build America Bond is any taxable State or local governmental bond (excluding a private activity bond under section 141) that meets the following requirements: (1) the interest on said bond would (except for section 54AA) be excludable from gross income under section 103; (2) the bond is issued before January 1, 2011; and (3) the issuer makes an irrevocable election to have section 54AA apply.

- There are two general types of Build America Bonds:

  - "**Build America Bonds (Tax-Credit)"** provide a Federal subsidy through Federal tax credits to bond investors in an amount equal to 35 percent of the total coupon interest payable by the issuer on taxable governmental bonds (net of the tax credit). This represents a Federal subsidy to the State or local governmental issuer equal to approximately 25 percent of the total return to the investor (including the coupon interest paid by the issuer and the tax credit). This type of Build America Bond generally may be used to finance any governmental purpose for which conventional tax-exempt governmental bonds could be issued under section 103 (excluding private activity bonds under section 141).

  - "**Build America Bonds (Direct Payment)**" provide a Federal subsidy through a refundable tax credit paid to State or local governmental issuers by the Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors in these taxable bonds. This type of Build America Bond generally may be used to finance only capital expenditures and certain issuance costs and reasonably required reserve funds.

- **Recovery Zone Bonds** provide tax incentives for State and local governmental borrowing at lower borrowing costs to promote job creation and general economic recovery that is targeted to areas particularly affected by employment declines.

- Specifically, a "Recovery Zone" is defined in section 1400U-1 as: (1) any area designated by the issuer as having significant poverty, unemployment, rate of home foreclosures, or general distress; (2) any area designated by the issuer as economically distressed by reason of the closure or realignment of a military installation pursuant to the Defense Base Closure and Realignment Act of 1990; and, (3) any area for which a designation as an empowerment zone or renewal community is in effect as of the effective date of ARRA09.

  - **Recovery Zone Economic Development Bonds (Direct Payment)**, defined by IRC section 1400U-2, represent a third type of Build America Bond. Recovery Zone Economic Development Bonds are comparable to Build America Bonds (Direct Payment), except that they provide for a deeper Federal subsidy through a refundable tax credit paid to State or local governmental issuers in an amount equal to 45 percent (rather than 35 percent) of the total coupon interest payable to investors in these taxable bonds and they have different program requirements regarding eligible uses of proceeds for "qualified economic development purposes" within recovery zones.

  - **Recovery Zone Facility Bonds**—ARRA09 created this new type of exempt facility bond, defined by IRC section 1400U-3.

Proceeds of such bond issues may be used to finance certain "recovery zone property."

- Recovery Zone Bonds may be issued by each State and counties and large municipalities within each State before January 1, 2011. Section 1400U-1 imposes a national bond volume cap of $10 billion for Recovery Zone Economic Development Bonds and $15 billion for Recovery Zone Facility Bonds. The volume cap for Recovery Zone Bonds is allocated among the States and counties, and large municipalities within the States, based on relative declines in employment in 2008.

- **Qualified Energy Conservation Bonds (QECBs)—**ARRA09 increased the national bond volume cap for QECBs from $800 million to $3.2 billion.

- **Qualified School Construction Bonds (QSCBs)—**ARRA09 created this new type of tax-credit bond. Pursuant to IRC section 54F, a QSCB is defined as any bond issued as a part of an issue if (1) 100 percent of the available project proceeds of such issue are to be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue; (2) the bond is issued by a State or local government within the jurisdiction of which such school is located, and (3) the issuer designates such bond purposes of this section.

- The Act added section 54F(c) to provide a national bond limitation authorization for QSCBs of $11 billion for each of the calendar years 2009 and 2010.

- **Tribal Economic Development Bonds** were created under IRC section 7871(f) of ARRA09. In general, the purpose of new section 7871(f) was to give Indian tribal governments greater flexibility to use tax-exempt bonds to finance economic development projects. Prior to ARRA09, generally, the use of tax-exempt bonds by Indian tribal governments was limited to certain manufacturing facilities and activities that constitute essential governmental functions customarily performed by State and local governments with general taxing powers. With the changes enacted in ARRA09, the current law rules that restricted the purpose of tribal bonds to "essential governmental functions" no longer apply to these bonds, and the bonds could be issued as tax-exempt private activity bonds. However, there are still restrictions on the use of tax-exempt bond proceeds to finance certain gaming facilities and facilities outside an Indian reservation. The national bond volume cap for Tribal Economic Development Bonds is $2 billion.

- **New Clean Renewable Energy Bonds (New CREBs)—**IRC section 54C(c) provides for an increase in the national bond volume cap for New CREBs, from $800 million to $2.4 billion. Section 54C(c)(2) provides that the Secretary shall allocate no more than one third of the volume cap to qualified projects owned by public power providers, governmental bodies, and cooperative electric companies, respectively.

- **Qualified Zone Academy Bonds (QZABs)—**The Act further amended IRC section 54E(c)(1) to provide an increased national zone academy bond limitation authorization for QZABs of $1.4 billion for each of the calendar years 2009 and 2010.

- IRC section 54E(d) defines a "qualified zone academy" as any public school (or academic program within a public school) which is established by and operated under the supervision of an eligible local education agency to provide education or training below the postsecondary level provided: (1) the public school or program is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates and prepare students for college or the workforce; (2) students will be subject to the same academic standards and assessments as other students educated by the eligible local education agency; (3) the comprehensive education plan is approved by the eligible local education agency; and (4)(i) such public school is located in an empowerment zone or enterprise community including such designated after October 3, 2008; or (ii) there is a reasonable expectation (as of the date of bond issuance) that at least 35 percent of the students will be eligible for free or reduced cost lunches under the school lunch program established under the National School Lunch Act.

Table 1. Tax-Exempt Governmental Bonds, by Type and Term of Issue, 2007

[Money amounts are in millions of dollars]

Type and term of issue	Number	Amount
All issues, total [1]	**25,253**	**379,326**
Short-term	6,798	63,076
Long-term	18,455	316,250
New money issues, total	**21,000**	**252,566**
Short-term	5,125	52,419
Long-term	15,875	200,148
Refunding issues, total	**6,425**	**126,759**
Short-term	2,303	10,657
Long-term	4,122	116,102

[1] A given bond issue can include both new money and refunding proceeds. Thus, the number of new money issues plus the number of refunding issues will sometimes exceed the total number of issues. However, the money amounts add to the totals.

NOTE: Detail may not add to totals because of rounding.

Table 2. Long-Term Tax-Exempt Governmental Bonds, by Bond Purpose and Type of Issue, 2007

[Money amounts are in millions of dollars]

Bond purpose	All issues		New money issues		Refunding issues	
	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Total [1]	**18,455**	**316,250**	**15,875**	**200,148**	**4,122**	**116,102**
Education	6,137	105,660	5,187	71,595	1,411	34,065
Health and hospital	374	5,772	333	3,210	80	2,562
Transportation	1,215	36,583	1,063	23,698	277	12,885
Public safety	2,391	6,815	2,285	4,941	219	1,874
Environment	1,325	16,008	1,102	9,659	430	6,349
Housing	126	1,830	98	628	46	1,202
Utilities	2,180	50,479	1,724	32,019	820	18,460
Bond and tax/revenue anticipation notes	310	3,739	281	3,284	48	455
Other purposes [2]	5,662	89,363	4,852	51,113	1,415	38,250

[1] A given bond issue can include more than one purpose and can include both new money and refunding proceeds. Thus, the summation of number of issues by purpose or by type of issue will sometimes exceed the total number of issues. However, the money amounts add to the totals.

[2] "Other purposes" refer to obligations for which a specific purpose either did not apply or was not clearly indicated on the Form 8038-G.

NOTE: Detail may not add to totals because of rounding.

Table 3. Computation of Lendable Proceeds for Long-Term Tax-Exempt Governmental Bonds, by Bond Purpose, 2007

[Money amounts are in millions of dollars]

Bond purpose	Entire issue price		Bond issuance costs		Credit enhancement		Allocation to reserve fund	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total [1]	**18,455**	**316,250**	**11,081**	**2,658**	**4,556**	**896**	**1,403**	**2,893**
Education	6,137	105,660	3,758	855	1,882	196	216	785
Health and hospital	374	5,772	191	58	55	26	35	85
Transportation	1,215	36,583	828	251	320	149	104	280
Public safety	2,391	6,815	785	74	275	17	64	60
Environment	1,325	16,008	881	142	332	35	131	111
Housing	126	1,830	91	12	26	3	27	10
Utilities	2,180	50,479	1,818	465	807	150	326	751
Bond and tax/revenue anticipation notes	310	3,739	217	10	3	1	0	0
Other purposes [2]	5,662	89,363	3,681	790	1,428	319	553	810

Bond purpose	Total lendable proceeds		Proceeds used to refund prior issues		Nonrefunding proceeds	
	Number	Amount	Number	Amount	Number	Amount
	(9)	(10)	(11)	(12)	(13)	(14)
Total [1]	**18,453**	**309,802**	**4,122**	**114,320**	**15,873**	**195,483**
Education	6,136	103,824	1,411	33,706	5,186	70,118
Health and hospital	374	5,603	80	2,500	333	3,103
Transportation	1,215	35,903	277	12,645	1,063	23,258
Public safety	2,390	6,665	219	1,842	2,284	4,823
Environment	1,325	15,719	430	6,272	1,102	9,447
Housing	126	1,804	46	1,194	98	609
Utilities	2,180	49,112	820	18,160	1,724	30,952
Bond and tax/revenue anticipation notes	310	3,728	48	454	281	3,274
Other purposes [2]	5,662	87,445	1,415	37,546	4,852	49,899

[1] A given bond issue can include more than one purpose. Thus, the summation of number of issues by purpose will sometimes exceed the total number of issues. However, the money amounts add to the totals.
[2] "Other purposes" refer to obligations for which a specific purpose either did not apply or was not clearly indicated on the Form 8038-G.
NOTE: Detail may not add to totals because of rounding.

Table 4. New Money Long-Term Tax-Exempt Governmental Bonds, by Bond Purpose and Size of Entire Issue, 2007

[Money amounts are in millions of dollars, except for size of entire issue, which is in whole dollars]

Bond purpose	All issues		Size of entire issue: Under $500,000 [1]		$500,000 under $1,000,000		$1,000,000 under $5,000,000	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total [2]	**15,875**	**200,148**	**5,688**	**1,340**	**1,943**	**1,335**	**3,792**	**8,831**
Education	5,187	71,595	1,702	403	590	412	1,113	2,551
Health and hospital	333	3,210	99	25	36	25	90	204
Transportation	1,063	23,698	343	75	121	77	258	464
Public safety	2,285	4,941	1,350	310	307	200	348	673
Environment	1,102	9,659	253	60	148	93	339	593
Housing	98	628	10	3	17	12	34	73
Utilities	1,724	32,019	290	71	192	122	598	1,259
Bond and tax/revenue anticipation notes	281	3,284	29	9	43	30	151	353
Other purposes [3]	4,852	51,113	1,657	384	542	364	1,205	2,660

Bond purpose	Size of entire issue—continued: $5,000,000 under $10,000,000		$10,000,000 under $25,000,000		$25,000,000 under $75,000,000		$75,000,000 or more	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Total [2]	**1,619**	**10,619**	**1,296**	**18,216**	**962**	**35,943**	**575**	**123,864**
Education	595	4,039	516	7,096	450	16,524	221	40,572
Health and hospital	43	252	19	237	24	732	22	1,736
Transportation	91	456	85	888	85	2,435	80	19,302
Public safety	109	529	89	843	53	1,095	29	1,290
Environment	131	679	101	1,067	77	2,148	53	5,020
Housing	6	35	14	147	10	223	7	136
Utilities	260	1,426	160	1,907	129	3,750	95	23,483
Bond and tax/revenue anticipation notes	31	181	15	176	6	203	6	2,332
Other purposes [3]	507	3,023	476	5,855	278	8,835	187	29,993

[1] Form 8038-G returns with an entire issue price less than $100,000 are excluded from the study. Issuers of these bonds are instructed to file Form 8038-GC, Statistics of Income (SOI) does not process data from the Forms 8038-GC filed with the Internal Revenue Service.

[2] A given bond issue can include more than one purpose. Thus, the summation of number of issues by purpose will sometimes exceed the total number of issues. However, the money amounts add to the totals.

[3] "Other purposes" refer to obligations for which a specific purpose either did not apply or was not clearly indicated on the Form 8038-G.

NOTE: Detail may not add to totals because of rounding.

Table 5. New Money Long-Term Tax-Exempt Governmental Bonds, by State of Issue and Bond Purpose, 2007

[Money amounts are in millions of dollars]

State of issue	Bond purpose									
	Total [1]		Education		Health and hospital		Transportation		Public safety	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All States	**15,875**	**200,148**	**5,187**	**71,595**	**333**	**3,210**	**1,063**	**23,698**	**2,285**	**4,941**
Alabama	332	4,351	73	1,863	d	d	11	50	39	66
Alaska	33	502	16	99	0	0	d	d	d	d
Arizona	356	5,898	166	1,541	d	d	20	782	59	83
Arkansas	299	1,199	118	586	d	d	14	72	29	34
California	1,168	30,919	470	12,475	d	d	100	2,424	110	266
Colorado	298	3,031	72	966	5	95	12	128	49	42
Connecticut	138	1,935	69	388	d	d	17	371	36	54
Delaware	38	415	5	259	0	0	16	8	7	15
District of Columbia	10	1,357	0	0	0	0	0	0	0	0
Florida	514	12,552	99	4,887	4	116	33	1,464	77	242
Georgia	414	7,232	109	2,983	d	d	17	362	84	335
Hawaii	19	795	0	0	10	40	0	0	0	0
Idaho	80	472	23	308	d	d	7	2	10	33
Illinois	824	6,848	411	2,681	4	35	40	863	80	131
Indiana	422	3,146	137	1,119	d	d	24	64	81	111
Iowa	336	1,104	99	529	d	d	28	27	30	18
Kansas	298	1,557	83	621	15	40	37	100	30	45
Kentucky	296	3,392	127	817	5	58	14	470	33	27
Louisiana	224	1,752	35	309	14	24	20	52	65	161
Maine	132	312	55	65	0	0	18	69	19	10
Maryland	172	3,159	40	888	8	47	13	883	35	100
Massachusetts	254	4,801	79	1,695	0	0	41	251	63	52
Michigan	497	3,628	160	1,426	9	12	38	685	56	36
Minnesota	623	3,662	99	569	10	95	41	173	39	149
Mississippi	243	873	35	192	10	58	8	107	56	53
Missouri	477	3,676	185	1,251	d	d	49	770	74	147
Montana	71	181	17	82	0	0	5	8	7	5
Nebraska	506	2,300	56	223	9	9	23	9	27	24
Nevada	55	1,658	11	802	d	d	4	246	5	16
New Hampshire	89	280	27	37	0	0	8	19	20	53
New Jersey	382	4,236	197	1,501	14	6	7	1,213	60	120
New Mexico	145	1,364	54	325	0	0	3	4	28	76
New York	718	12,305	383	2,604	4	188	32	3,435	97	417
North Carolina	450	5,405	82	2,034	11	845	10	464	140	618
North Dakota	127	225	23	38	0	0	9	6	d	d
Ohio	380	8,594	120	6,349	5	14	26	520	57	69
Oklahoma	357	1,552	231	677	21	186	13	173	23	44
Oregon	183	2,769	70	1,268	5	4	18	784	38	124
Pennsylvania	632	5,854	239	2,191	d	d	25	466	107	111
Rhode Island	64	791	14	242	0	0	d	d	16	27
South Carolina	251	2,095	50	728	d	d	12	522	65	58
South Dakota	72	346	24	116	0	0	9	13	6	24
Tennessee	214	1,600	52	730	d	d	14	31	43	162
Texas	1,377	22,347	410	9,009	25	303	58	3,211	161	426
Utah	159	1,511	36	674	4	24	7	249	23	39
Vermont	59	217	14	42	0	0	3	[2]	10	2
Virginia	252	4,330	80	1,460	4	7	22	223	56	235
Washington	219	5,116	67	1,361	16	137	18	1,448	27	21
West Virginia	109	288	17	85	d	d	5	42	32	12
Wisconsin	447	1,850	120	477	d	d	107	332	65	44
Wyoming	49	53	28	23	d	d	0	0	8	6
U.S. Possessions [3]	11	4,314	0	0	d	d	0	0	0	0

Footnotes at end of table.

Table 5. New Money Long-Term Tax-Exempt Governmental Bonds, by State of Issue and Bond Purpose, 2007—Continued
[Money amounts are in millions of dollars]

State of issue	Bond purpose—continued									
	Environment		Housing		Utilities		Bond and tax/revenue anticipation notes		Other purposes [4]	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
All States	**1,102**	**9,659**	**98**	**628**	**1,724**	**32,019**	**281**	**3,284**	**4,852**	**51,113**
Alabama	5	28	d	d	47	1,476	d	d	159	832
Alaska	0	0	0	0	3	117	0	0	10	189
Arizona	d	d	0	0	24	2,137	d	d	91	1,298
Arkansas	16	207	d	d	73	176	0	0	50	72
California	61	1,952	d	d	78	6,653	5	485	316	6,195
Colorado	d	d	7	25	27	765	d	d	119	990
Connecticut	25	53	d	d	6	36	0	0	59	1,018
Delaware	3	38	0	0	d	d	d	d	7	92
District of Columbia	d	d	d	d	0	0	0	0	d	d
Florida	12	432	d	d	76	2,081	d	d	213	3,273
Georgia	75	514	d	d	32	1,840	0	0	106	968
Hawaii	6	166	0	0	0	0	0	0	3	589
Idaho	8	41	d	d	4	2	10	21	15	60
Illinois	22	57	3	3	48	1,224	4	24	231	1,830
Indiana	46	451	d	d	25	883	14	34	89	464
Iowa	19	84	d	d	36	73	17	76	121	257
Kansas	29	64	0	0	40	307	14	16	96	365
Kentucky	10	131	0	0	40	853	13	66	57	969
Louisiana	15	115	d	d	18	87	d	d	52	966
Maine	7	15	0	0	8	15	8	18	29	120
Maryland	56	400	d	d	9	184	d	d	72	646
Massachusetts	46	307	0	0	d	d	d	d	157	2,431
Michigan	76	467	3	6	49	163	3	1	112	832
Minnesota	55	509	6	32	73	361	33	69	290	1,704
Mississippi	6	17	0	0	13	37	0	0	117	410
Missouri	26	220	d	d	45	729	d	d	91	456
Montana	10	9	0	0	9	7	3	5	20	65
Nebraska	8	12	0	0	42	1,767	25	86	325	171
Nevada	6	120	d	d	d	d	0	0	18	453
New Hampshire	15	22	d	d	d	d	8	12	21	109
New Jersey	23	196	3	32	14	21	3	6	98	1,140
New Mexico	15	44	0	0	12	136	0	0	33	780
New York	25	150	5	83	18	133	7	765	174	4,529
North Carolina	d	d	d	d	43	385	0	0	185	882
North Dakota	3	21	d	d	71	142	0	0	16	16
Ohio	20	167	3	41	21	426	4	6	130	1,002
Oklahoma	5	5	0	0	23	265	0	0	49	202
Oregon	3	4	0	0	14	56	4	21	35	508
Pennsylvania	103	838	d	d	29	295	22	339	113	1,594
Rhode Island	8	98	d	d	d	d	0	0	24	415
South Carolina	18	32	0	0	28	375	d	d	81	367
South Dakota	5	6	3	3	9	78	4	14	14	92
Tennessee	10	28	d	d	60	379	18	51	57	193
Texas	d	d	0	0	304	5,113	d	d	403	4,031
Utah	d	d	d	d	45	301	3	21	38	187
Vermont	6	1	0	0	9	7	0	0	19	164
Virginia	27	502	0	0	27	388	11	66	71	1,447
Washington	6	64	8	31	35	587	6	36	47	1,432
West Virginia	26	106	d	d	d	d	d	d	25	29
Wisconsin	69	233	d	d	81	139	16	60	173	547
Wyoming	d	d	0	0	3	16	0	0	d	d
U.S. Possessions [3]	d	d	0	0	d	d	d	d	5	2,609

d—Data deleted to avoid disclosure of information about specific bonds. However, the data are included in the appropriate totals.

[1] A given bond issue can include more than one purpose. Thus, the summation of number of issues by purpose will sometimes exceed the total number of issues. However, the money amounts add to the totals.

[2] Indicates an amount less than $500,000.

[3] U.S. Possessions include Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands.

[4] "Other purposes" refer to obligations for which a specific purpose either did not apply or was not clearly indicated on the Form 8038-G.

NOTE: Detail may not add to totals because of rounding.

Table 6. Tax-Exempt Private Activity Bonds, by Type and Term of Issue, 2007

[Money amounts are in millions of dollars]

Type and term of issue	Number	Amount
All issues, total [1]	**4,380**	**137,432**
Short-term	70	878
Long-term	4,310	136,553
New money issues, total	**3,637**	**87,172**
Short-term	51	596
Long-term	3,586	86,576
Refunding issues, total	**1,499**	**50,260**
Short-term	25	283
Long-term	1,474	49,977

[1] A given bond issue can include both new money and refunding proceeds. Thus, the number of new money issues plus the number of refunding issues will sometimes exceed the total number of issues. However, the money amounts add to the totals.

NOTE: Detail may not add to totals because of rounding.

Table 7. Long-Term Tax-Exempt Private Activity Bonds, by Bond Purpose and Type of Issue, 2007

[Money amounts are in millions of dollars]

Bond purpose	All issues		New money issues		Refunding issues	
	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Total [1]	**4,310**	**136,553**	**3,586**	**86,576**	**1,474**	**49,977**
Airport	69	6,819	47	3,578	35	3,241
Docks and wharves	21	1,360	12	405	12	955
Water	18	388	13	256	6	132
Sewage	26	458	16	346	12	112
Solid waste disposal	142	4,183	124	3,316	20	868
Qualified residential rental	619	9,106	508	7,359	127	1,747
Local electricity or gas furnishing facilities	6	359	4	163	4	196
Local district heating or cooling facilities	d	d	d	d	0	0
Qualified hazardous waste facilities	43	3,903	5	512	40	3,391
Tax Reform Act of 1986 transition property	d	d	d	d	0	0
Qualified new empowerment zone	3	60	3	60	0	0
Qualified public educational facilities	d	d	d	d	0	0
Qualified green building and sustainable design	d	d	d	d	0	0
Qualified Gulf Opportunity Zone and Gulf Opportunity Zone mortgage	79	3,973	78	3,912	5	61
Qualified New York Liberty Zone	3	395	d	d	d	d
Qualified mortgage	312	24,472	259	13,508	213	10,964
Qualified veterans' mortgage	8	374	4	119	6	254
Qualified small issue	775	2,531	729	2,383	71	148
Qualified student loan	34	5,330	33	4,489	12	841
Qualified redevelopment	d	d	d	d	0	0
Qualified hospital	436	28,923	344	17,270	203	11,653
Qualified section 501(c)(3) nonhospital	1,754	42,061	1,428	27,352	736	14,709
Gulf Opportunity Zone advance refunding	d	d	0	0	d	d
Other purposes [2]	18	1,467	16	879	6	588

d—Data deleted to avoid disclosure of information about specific bonds. However, the data are included in the appropriate totals.

[1] A given bond issue can include more than one purpose and can include both new money and refunding proceeds. Thus, the summation of number of issues by purpose or by type of issue will sometimes exceed the total number of issues. However, the money amounts add to the totals.

[2] For this table, "other purposes" refer to obligations for which a specific purpose either did not apply or was not clearly indicated on the Form 8038.

NOTE: Detail may not add to totals because of rounding.

Table 8. Computation of Lendable Proceeds for Long-Term Tax-Exempt Private Activity Bonds, by Selected Bond Purpose, 2007

[Money amounts are in millions of dollars]

Selected bond purpose	Entire issue price		Bond issuance costs		Credit enhancement		Allocation to reserve fund	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total [1]	**4,310**	**136,553**	**2,735**	**1,048**	**1,082**	**532**	**730**	**1,752**
Airport	69	6,819	61	59	43	33	18	148
Docks and wharves	21	1,360	d	d	7	4	d	d
Water	18	388	13	5	d	d	d	d
Sewage	26	458	16	4	d	d	d	d
Solid waste disposal	142	4,183	102	40	41	7	19	43
Qualified residential rental	619	9,106	145	27	38	12	50	39
Qualified Gulf Opportunity Zone and Gulf Opportunity Zone mortgage	79	3,973	64	31	25	6	9	8
Qualified mortgage	312	24,472	120	51	16	12	70	178
Qualified veterans' mortgage	8	374	d	d	0	0	d	d
Qualified small issue	775	2,531	377	32	151	9	17	6
Qualified student loan	34	5,330	24	20	8	1	17	41
Qualified hospital	436	28,923	357	250	149	222	93	439
Qualified section 501(c)(3) nonhospital	1,754	42,061	1,453	495	600	211	435	821
All other bonds, combined [2]	78	6,576	25	28	10	13	10	22

Selected bond purpose	Total lendable proceeds		Proceeds used to refund prior issues		Nonrefunding proceeds	
	Number	Amount	Number	Amount	Number	Amount
	(9)	(10)	(11)	(12)	(13)	(14)
Total [1]	**4,310**	**133,221**	**1,474**	**48,976**	**3,686**	**84,245**
Airport	69	6,579	35	3,187	49	3,392
Docks and wharves	21	1,349	12	948	12	402
Water	18	379	6	132	13	247
Sewage	26	451	12	111	16	340
Solid waste disposal	142	4,094	20	866	125	3,227
Qualified residential rental	619	9,028	127	1,736	509	7,292
Qualified Gulf Opportunity Zone and Gulf Opportunity Zone mortgage	79	3,927	5	61	78	3,866
Qualified mortgage	312	24,231	213	10,900	266	13,331
Qualified veterans' mortgage	8	372	6	253	4	119
Qualified small issue	775	2,484	71	146	731	2,338
Qualified student loan	34	5,267	12	836	33	4,431
Qualified hospital	436	28,013	203	11,332	355	16,680
Qualified section 501(c)(3) nonhospital	1,754	40,534	736	14,191	1,506	26,344
All other bonds, combined [2]	78	6,513	50	4,277	34	2,236

d—Data deleted to avoid disclosure of information for specific bonds. However, the data are included in the appropriate totals.

[1] A given bond issue can include more than one purpose. Thus, the summation of number of issues by purpose will sometimes exceed the total number of issues. However, the money amounts add to the totals.

[2] For purposes of this table, this category includes all issues for which a specific purpose either did not apply or was not clearly indicated on the Form 8038, as well as bonds issued for: local electricity or gas furnishing facilities, local district heating or cooling facilities, qualified hazardous waste facilities, facilities issued under a transitional rule of the Tax Reform Act of 1986, new empowerment zone facility bonds, qualified public educational facilities, qualified green building and sustainable design projects, New York Liberty Zone bonds, qualified redevelopment bonds, and Gulf Opportunity Zone advance refunding bonds.

NOTE: Detail may not add to totals because of rounding.

Table 9. New Money Long-Term Tax-Exempt Private Activity Bonds, by Selected Bond Purpose and Size of Entire Issue, 2007

[Money amounts are in millions of dollars, except for size of entire issue, which is in whole dollars]

Selected bond purpose	All issues		Size of entire issue					
			Under $1,000,000		$1,000,000 under $5,000,000		$5,000,000 under $10,000,000	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total [1]	**3,586**	**86,576**	**376**	**109**	**885**	**2,408**	**699**	**4,636**
Airport	47	3,578	d	d	7	17	10	72
Docks and wharves	12	405	d	d	3	12	3	22
Water	13	256	0	0	d	d	3	23
Sewage	16	346	0	0	d	d	3	13
Solid waste disposal	124	3,316	4	1	17	43	17	114
Qualified residential rental	508	7,359	8	6	129	395	137	992
Qualified Gulf Opportunity Zone and Gulf Opportunity Zone mortgage	78	3,912	5	4	16	45	8	59
Qualified mortgage	259	13,508	0	0	d	d	0	0
Qualified veterans' mortgage	4	119	0	0	0	0	0	0
Qualified small issue	729	2,383	270	48	243	701	156	1,049
Qualified student loan	33	4,489	0	0	0	0	0	0
Qualified hospital	344	17,270	9	4	60	165	50	323
Qualified section 501(c)(3) nonhospital	1,428	27,352	67	41	403	1,005	305	1,918
All other bonds, combined [2]	34	2,284	7	3	5	15	8	53

Selected bond purpose	Size of entire issue—continued							
	$10,000,000 under $25,000,000		$25,000,000 under $50,000,000		$50,000,000 under $100,000,000		$100,000,000 or more	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Total [1]	**713**	**9,646**	**365**	**10,321**	**261**	**13,122**	**287**	**46,334**
Airport	5	75	d	d	3	172	15	3,202
Docks and wharves	0	0	d	d	d	d	d	d
Water	5	77	3	125	d	d	0	0
Sewage	d	d	0	0	3	89	d	d
Solid waste disposal	35	554	28	971	16	972	7	660
Qualified residential rental	168	2,445	44	1,463	14	790	8	1,267
Qualified Gulf Opportunity Zone and Gulf Opportunity Zone mortgage	16	240	10	326	14	658	9	2,581
Qualified mortgage	d	d	72	1,922	71	3,065	69	7,828
Qualified veterans' mortgage	0	0	d	d	d	d	0	0
Qualified small issue	60	585	0	0	0	0	0	0
Qualified student loan	0	0	5	178	6	423	22	3,888
Qualified hospital	55	702	32	906	50	2,374	88	12,796
Qualified section 501(c)(3) nonhospital	322	4,193	169	4,294	88	4,285	74	11,615
All other bonds, combined [2]	5	57	d	d	d	d	6	2,014

d—Data deleted to avoid disclosure of information for specific bonds. However, the data are included in the appropriate totals.

[1] A given bond issue can include more than one purpose. Thus, the summation of number of issues by purpose will sometimes exceed the total number of issues. However, the money amounts add to the totals.

[2] For purposes of this table, this category includes all issues for which a specific purpose either did not apply or was not clearly indicated on the Form 8038, as well as bonds issued for: local electricity or gas furnishing facilities, local district heating or cooling facilities, qualified hazardous waste facilities, facilities issued under a transitional rule of the Tax Reform Act of 1986, new empowerment zone facility bonds, qualified public educational facilities, qualified green building and sustainable design projects, New York Liberty Zone bonds, qualified redevelopment bonds, and Gulf Opportunity Zone advance refunding bonds.

NOTE: Detail may not add to totals because of rounding.

Table 10. New Money Long-Term Tax-Exempt Private Activity Bonds, by State of Issue and Selected Bond Purpose, 2007
[Money amounts are in millions of dollars]

State of issue	Total [1]		Selected bond purpose							
			Airports, docks, and wharves [2]		Water, sewage, and solid waste disposal [2]		Qualified residential rental		Qualified Gulf Opportunity Zone and Gulf Opportunity Zone mortgage	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All States	**3,586**	**86,576**	**59**	**3,983**	**153**	**3,918**	**508**	**7,359**	**78**	**3,912**
Alabama	59	1,280	d	d	3	86	4	22	16	628
Alaska	8	297	0	0	0	0	d	d	0	0
Arizona	51	1,915	d	d	6	190	8	98	0	0
Arkansas	23	150	d	d	0	0	d	d	0	0
California	275	10,527	d	d	15	392	112	1,852	0	0
Colorado	106	1,371	3	349	d	d	9	104	0	0
Connecticut	34	1,547	0	0	d	d	d	d	0	0
Delaware	11	549	0	0	0	0	0	0	0	0
District of Columbia	25	1,106	d	d	0	0	d	d	0	0
Florida	141	3,803	11	389	d	d	33	258	0	0
Georgia	99	2,510	0	0	8	229	9	214	0	0
Hawaii	d	d	0	0	0	0	d	d	0	0
Idaho	23	526	0	0	3	20	d	d	0	0
Illinois	231	3,785	0	0	5	117	30	292	0	0
Indiana	78	889	d	d	d	d	d	d	0	0
Iowa	184	649	d	d	3	15	6	60	0	0
Kansas	61	624	0	0	0	0	d	d	0	0
Kentucky	50	486	0	0	d	d	6	49	0	0
Louisiana	73	2,910	d	d	7	118	d	d	34	1,929
Maine	16	384	0	0	0	0	0	0	0	0
Maryland	55	1,508	0	0	d	d	7	71	0	0
Massachusetts	125	4,050	d	d	d	d	7	237	0	0
Michigan	89	2,331	3	185	d	d	4	219	0	0
Minnesota	126	1,467	0	0	4	36	16	127	0	0
Mississippi	42	1,963	0	0	d	d	4	30	28	1,355
Missouri	84	1,395	d	d	d	d	17	112	0	0
Montana	18	538	d	d	0	0	d	d	0	0
Nebraska	46	657	d	d	5	36	d	d	0	0
Nevada	17	816	d	d	0	0	6	63	0	0
New Hampshire	32	554	0	0	d	d	d	d	0	0
New Jersey	62	1,667	d	d	d	d	d	d	0	0
New Mexico	10	323	0	0	d	d	d	d	0	0
New York	238	8,193	d	d	0	0	50	1,622	0	0
North Carolina	50	1,435	d	d	3	153	d	d	0	0
North Dakota	20	441	d	d	d	d	0	0	0	0
Ohio	107	2,638	4	290	8	470	14	82	0	0
Oklahoma	18	461	0	0	d	d	d	d	0	0
Oregon	48	657	d	d	d	d	19	115	0	0
Pennsylvania	221	4,533	d	d	7	372	d	d	0	0
Rhode Island	15	357	0	0	0	0	d	d	0	0
South Carolina	34	862	0	0	d	d	3	42	0	0
South Dakota	26	386	0	0	7	34	0	0	0	0
Tennessee	56	1,787	d	d	0	0	16	122	0	0
Texas	160	5,079	10	226	20	578	30	367	0	0
Utah	33	602	0	0	0	0	d	d	0	0
Vermont	19	350	0	0	0	0	6	11	0	0
Virginia	73	1,614	d	d	d	d	7	97	0	0
Washington	87	2,380	d	d	3	93	31	387	0	0
West Virginia	17	400	0	0	d	d	0	0	0	0
Wisconsin	96	1,191	d	d	d	d	6	51	0	0
Wyoming	9	316	0	0	d	d	d	d	0	0
U.S. Possessions [4]	d	d	0	0	d	d	0	0	0	0

Footnotes at end of table.

Table 10. New Money Long-Term Tax-Exempt Private Activity Bonds, by State of Issue and Selected Bond Purpose, 2007—Continued

[Money amounts are in millions of dollars]

State of issue	Selected bond purpose—continued									
	Qualified mortgage		Qualified small issue		Qualified hospital		Qualified section 501(c)(3) nonhospital		All other bonds, combined [3]	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
All States	**259**	**13,508**	**729**	**2,383**	**344**	**17,270**	**1,428**	**27,352**	**71**	**6,893**
Alabama	d	d	8	42	3	68	21	218	d	d
Alaska	d	d	0	0	0	0	3	59	d	d
Arizona	10	96	d	d	6	542	14	867	d	d
Arkansas	d	d	6	21	5	29	7	39	0	0
California	12	1,171	d	d	23	2,892	95	3,393	3	212
Colorado	8	310	25	50	3	92	56	370	d	d
Connecticut	3	175	0	0	6	64	20	1,172	d	d
Delaware	5	439	0	0	d	d	d	d	d	d
District of Columbia	d	d	0	0	0	0	17	340	d	d
Florida	17	740	14	63	9	906	53	1,382	d	d
Georgia	5	208	d	d	9	777	36	842	d	d
Hawaii	0	0	0	0	0	0	d	d	d	d
Idaho	12	477	d	d	d	d	d	d	0	0
Illinois	17	948	95	198	18	897	66	1,333	0	0
Indiana	d	d	19	82	4	283	44	387	0	0
Iowa	4	104	122	59	d	d	37	305	7	62
Kansas	8	313	31	42	d	d	15	177	0	0
Kentucky	5	158	6	35	4	27	25	126	d	d
Louisiana	9	211	d	d	3	220	15	347	0	0
Maine	3	71	4	11	d	d	7	114	d	d
Maryland	5	408	9	46	d	d	32	904	0	0
Massachusetts	d	d	16	57	18	858	78	2,664	d	d
Michigan	d	d	31	161	18	679	31	434	0	0
Minnesota	7	282	18	43	6	348	75	632	0	0
Mississippi	5	245	d	d	3	154	3	32	d	d
Missouri	4	145	21	77	6	159	33	586	d	d
Montana	4	177	d	d	7	158	d	d	d	d
Nebraska	5	500	21	12	d	d	11	40	0	0
Nevada	4	139	0	0	d	d	d	d	d	d
New Hampshire	7	136	d	d	5	50	15	239	d	d
New Jersey	d	d	23	84	4	358	28	572	d	d
New Mexico	d	d	0	0	4	37	d	d	d	d
New York	4	264	d	d	42	952	112	2,920	8	1,869
North Carolina	3	123	13	92	8	208	19	242	d	d
North Dakota	d	d	d	d	d	d	13	54	0	0
Ohio	3	312	20	78	19	918	40	488	0	0
Oklahoma	7	139	d	d	3	117	4	46	d	d
Oregon	3	45	6	31	4	195	11	209	3	30
Pennsylvania	5	311	50	178	21	959	134	2,117	d	d
Rhode Island	4	175	0	0	d	d	7	93	0	0
South Carolina	d	d	11	71	3	300	13	179	d	d
South Dakota	d	d	10	22	3	83	d	d	0	0
Tennessee	4	257	d	d	3	119	25	399	3	857
Texas	17	568	5	19	17	2,001	56	886	8	433
Utah	9	147	d	d	d	d	14	305	d	d
Vermont	3	113	3	12	d	d	5	12	d	d
Virginia	4	561	13	77	9	227	34	566	0	0
Washington	4	217	9	54	8	865	31	562	d	d
West Virginia	3	108	0	0	d	d	10	114	0	0
Wisconsin	3	268	28	144	20	352	39	299	d	d
Wyoming	d	d	0	0	0	0	d	d	d	d
U.S. Possessions [4]	0	0	0	0	0	0	0	0	0	0

d—a deleted to avoid disclosure of information about specific bonds. However, the data are included in the appropriate totals.

[1] A given bond issue can include more than one purpose. Thus, the summation of number of issues by purpose will sometimes exceed the total number of issues. However, the money amounts add to the totals.

[2] For purposes of this table, certain bond purposes were combined. For this reason, data in this table will differ slightly from the data in Table 9.

[3] This category includes all issues for which a specific purpose either did not apply or was not clearly indicated on the Form 8038, as well as bonds issued for: local electricity or gas furnishing facilities, local district heating or cooling facilities, qualified hazardous waste facilities, facilities issued under a transitional rule of the Tax Reform Act of 1986, new empowerment zone facility bonds, qualified public educational facilities, qualified green building and sustainable design projects, New York Liberty Zone bonds, qualified veterans' mortgage bonds, qualified student loan bonds, qualified redevelopment bonds, and Gulf Opportunity Zone advance refunding bonds.

[4] U.S. Posessions include Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands.

NOTE: Detail may not add to totals because of rounding.