



THOMPSON HINE

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COMMERCIAL & PUBLIC
FINANCE UPDATE

Expansion of Small Issue Industrial Development Bonds for Manufacturing Facilities

Last month, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”). The Recovery Act contains a provision that provides tax-exempt financing options for research and development and expands the types of manufacturing facilities that previously were eligible for tax-exempt financing.

Prior to the Recovery Act, tax-exempt financing was only available to finance facilities that manufactured or produced tangible personal property. Additionally, the proceeds of such tax-exempt financing were restricted to projects directly related to manufacturing, with no more than 25 percent of the bond proceeds financing facilities that were only “directly related and ancillary” to core manufacturing projects.

Under the Recovery Act, for the 2009 (as to bonds issued after February 17) and 2010 calendar years, tax-exempt financing will be available (subject to the issue and project size limitations of existing law) for certain projects involving not only the manufacture or production of tangible personal property, but also the creation or production of intangible property (*e.g.*, patents, trademarks, formulas and designs).

Further, the Recovery Act permits tax-exempt financing for manufacturing facilities to finance ancillary facilities that are functionally related and subordinate to manufacturing facilities, as long as such facilities are located on the same site as the manufacturing facility, without regard to the prior law limitation that not more than 25 percent of bond proceeds could be used to finance such ancillary facilities. This expansion will allow manufacturers to broaden their projects to include warehouses, distribution facilities and testing facilities.

FOR MORE INFORMATION

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