



Washington Update



IRS ISSUES PROPOSAL TO MODIFY DEFINITION OF POLITICAL SUBDIVISION FOR TAX-EXEMPT BOND PURPOSES

The Internal Revenue Service has published for comment proposed rules regarding a modification to the definition of “political subdivision” for tax-exempt bond purposes. This proposed regulation will affect state and local governments that issue tax-exempt bonds and users of property financed with such bonds. Currently, a political subdivision is defined as any division of any state or local governmental unit which is a municipal corporation or which has been delegated the right to exercise part of the sovereign power of the unit. The proposed regulations provide that in order for an entity to qualify as a political subdivision, the entity must meet three requirements considering all the facts and circumstances:

1. Sovereign Powers
2. Governmental Purpose
3. Governmental Control

The proposed regulations explain in further detail what is to be considered for each of these factors.

Section 103 of the Internal Revenue Code provides that interest on any obligation of a state or political subdivision not be included in gross income. The proposal clarifies that the continued tax exemption of an issuance of bonds depends on its issuer’s continued status as a qualifying issuer of tax-exempt bonds.

States with an interest in responding to this notice should provide comments within 90 days after publication in the federal register (February 23, 2016). Additionally, the IRS will be holding a public hearing on the proposal on June 6 at 10:00 a.m. Information on commenting (including specific questions) and on testifying at the hearing can be found at <https://www.federalregister.gov/articles/2016/02/23/2016-03790/definition-of-political-subdivision>.

NASACT will be preparing an association response on this issue. Please provide your comments to Cornelia Chebinou at cchebinou@nasact.org no later than COB on May 11. If your state decides to provide comments directly to the IRS, please copy them to Cornelia.

MSRB LAUNCHES OUTREACH EFFORT FOR ISSUERS ON THE MUNICIPAL SECURITIES MARKET

The Municipal Securities Rulemaking Board wishes to remind state and local governments about the free educational resources and tools it makes available to support their issuance of municipal bonds. The MSRB operates an online education center about the municipal securities market and the Electronic Municipal Market Access (EMMA) website to support market transparency and awareness.

The MSRB’s new campaign will highlight resources issuers can use to help them fulfill their continuing disclosure obligations to investors and understand what they need to know about new regulations for municipal advisors who advise state and local governments on municipal securities transactions. The outreach effort will also help issuers learn how they can take full advantage of the EMMA website to communicate with investors. A series of webinars, emails and related communications aimed at state and local governments will be offered over the next six months. The first webinar, “Click, Call, Comply: Understanding Continuing Disclosure,” will be offered on March 18, 2016 at 12:00 p.m.

The notice can be found at www.msrb.org/News-and-Events/Press-Releases/2016/MSRB-Launches-Outreach-Effort-for-Issuers-on-the-Municipal-Securities-Market.aspx.

MSRB ISSUES BRIEF TO INVESTORS ON WAYS TO BUY MUNICIPAL BONDS

To help retail investors weigh their options when buying or selling municipal securities, the Municipal Securities Rulemaking Board has published a new educational guide outlining the several alternative “Ways to Buy Municipal Bonds.” The MSRB’s guide aims to improve investors’ understanding of the relative advantages and disadvantages of the different methods of buying municipal securities, from working with a full-service broker to trading independently through a self-managed account.

The MSRB education center includes multimedia resources about the risks, opportunities and regulatory protections in place for investors in municipal bonds. Retail investors can also access general information about the municipal bond market, preparing to invest, working with financial professionals and understanding disclosures provided by bond issuers available on the MSRB’s EMMA website.

The issue brief can be found at www.msrb.org/msrb1/pdfs/Ways-to-Buy-Municipal-Bonds.pdf.

SLGE BRIEF EXAMINES STATE EFFORTS TO ADDRESS THE PRIVATE SECTOR RETIREMENT SAVINGS GAP

The Center for State and Local Government Excellence has released a new issue brief on the private sector retirement savings gap. It examines the nature of the coverage problem, the initiatives that states have taken to address it, and what the U.S. Department of Labor has done to remove regulatory barriers. The brief identifies the following:

- Four states—California, Oregon, Illinois, and Connecticut—have enacted auto-IRA legislation.
- Two other states—Washington and New Jersey—are setting up voluntary marketplaces to promote low-cost retirement plans to small employers.
- Eleven states are actively pursuing legislation.
- Seven states were unsuccessful in passing legislation.

The report concludes that while the auto-IRA is the most effective state strategy, a national auto-IRA would be a more efficient way to close the retirement savings gap.

The full issue brief can be found at <http://slge.org/wp-content/uploads/2016/02/State-Initiatives-Brief.pdf>.

THE WEEK AHEAD: STATE SNAP OPTIONS

Wednesday

The House Agriculture Committee will conduct a hearing entitled “Past, Present, and Future of SNAP: Examining State Options.” No panelists have yet been announced.

<http://agriculture.house.gov/calendar/eventsingle.aspx?EventID=3165>

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