

White Paper on
Industrial Revenue Bonds Overview

INDUSTRIAL REVENUE BONDS OVERVIEW

Industrial Revenue Bonds have a variety of names and purposes, but there are three basic types of bond issuances as follows:

- **Tax Exempt** - (Small Issue IDB's) Because the income derived by the bond holder is not subject to federal income tax, the maximum bond amount is \$10 million in any given jurisdiction. According to federal regulations, the \$10 million total includes the bond amount and capital expenditures over a six year period going both backwards and forwards three years. The maximum any company may have is \$40 million nationwide outstanding at any given period.
- **Taxable** - They are not exempt from federal tax. The essential difference is that the Taxable bond rate is more costly to the borrower and not being subject to the federal volume cap, may exceed \$10 million in bond amount.
- **Exempt Facility/Solid Waste Disposal Bond** - These bonds are subject to volume cap although there is no restriction on amount and the interest on these bonds is federally tax exempt.

These types of bonds are issued frequently by municipalities for a variety of industrial projects, including the construction, rebuilding, improvements, remodeling, etc. of the industrial project. The purpose of such bonds, according to 445/3, is to “encourage the increase of industry and commerce in the State.” The Illinois Municipal Handbook states that the issuance of such bonds is subject to many federal statutes and regulations and they recommend seeking advice of bond counsel.

In order to pursue this, a resolution authorizing such would need to be adopted. The bonds may be issued in series and must mature within 40 years from their dates. Nonetheless, there is no liability on the interest or principal of the authority issuing those bonds. Municipalities would also be responsible for establishing, collecting, and revising

revenues for the purpose. Finally, these bonds may be sold at a private sale and issued without a referendum.