Advance Refunding Bond Legislation of Interest to Non-Profit Hospitals and Senior Living Organizations

February 26, 2018 – Dorsey Health Law
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On February 13, in a matter of special note to non-profit hospitals and senior living organizations across the country, legislation was introduced in the United States House of Representatives that would restore tax exemption for interest on advance refunding bonds.

The Tax Cuts and Jobs Act of 2017 eliminated tax exemption for interest on such advance refundings when President Trump signed the act into law on December 22. Non-profit health care organizations have used advanced refundings for years as a way to take advantage of lower interest rates and to refinance debt in advance of the call date. That financing tool was taken away by the new tax law as of December 31, 2017.

Representative Randy Hultgren (R-IL), joined by five co-sponsors representing both parties (two Republicans and three Democrats), introduced H.R. 5003 seeking to fully reinstate tax exemption for interest on advance refunding bonds. The legislation, which has been referred to the House Committee on Ways and Means, enjoys not only bipartisan support but also the backing of national organizations such as the American Hospital Association and the Bond Dealers of America. The text of the legislation can be found here https://www.congress.gov/115/bills/hr5003/BILLS-115hr5003ih.pdf.

Among the numerous legislative responses to the new tax law introduced this session,

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tax-exempt health care organizations should pay particular attention to the progress of H.R. 5003.