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State of Utah

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Private Activity Bond Authority General Program Information

The Private Activity Bond (PAB) is Utah's tax-exempt bonding authority creating a lower cost, long-term source of capital under the Federal Tax Act of 1986. The federal government allocates over \$38 billion per year to states on a per capita basis, with Utah receiving \$302,875,000 in 2016. Each state establishes its usage priorities by statute. The Utah Legislature has established its priorities in the following four accounts:

Small Issue Account – Percent of Total Volume Cap: 24%

Users: **Manufacturing Facilities** (credit worthy with higher paying jobs; to build or buy a new building, equipment, and/or land), **Multi-Family Affordable Housing** (apartments) or **Qualified Redevelopment Projects**.

Single Family Account – Percent of Total Volume Cap: 42%

Users: **Utah Housing Corporation** for first-time single family homeowners

Student Loan Account – Percent of Total Volume Cap: 33%

Users: **Board of Regents** for university and college students

Exempt Facility Account – Percent of Total Volume Cap: 1%

Users: **Pollution and Waste Control Projects**

Why Use Tax-Exempt Bonds? The owner of a tax-exempt bond does not need to pay federal income taxes on the interest received on such bonds; consequently, tax-exempt bonds bear interest at lower rates than bank loans or taxable bonds. This lower borrowing cost is passed on directly to the borrowing entity under the bonding program.

Volume Cap allocations require qualified bond counsel and an underwriter that result in tax-exempt bonds. Volume Cap is allocated by the Private Activity Bond Review Board in 90-day certificates at the regularly scheduled meetings. Applications are submitted at least five weeks prior to the board meetings. (See *Meeting Schedule* on website.)

To receive more information about the Private Activity Bond Authority Program, please visit the PAB website at www.business.utah.gov/relocate/PAB. Individual program information and applications can also be found there.

For additional questions, please contact:

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