Important Information related to Tax Exempt Bond Financing:

On November 16, 2017, the U.S. House of Representatives passed the Tax Cuts and Jobs Act (the Bill). The Bill proposes substantial changes that would have major impacts on multifamily housing bonds and 501(c)(3) bonds.

Elimination of All Future Multifamily and 501(c)(3) Bonds. As passed, the Bill prohibits the issuance of tax-exempt multifamily bonds and 501(c)(3) bonds after December 31, 2017.

In addition, though, there are a number of changes that will impact outstanding, previously issued multifamily bonds and 501(c)(3) bonds.

Draw Down Bonds. Because the House Bill does not include any transition rules to ease implementation of its provisions, after December 31, 2017, additional draws on multifamily bonds and 501(c)(3) bonds issued on a draw-down basis will not qualify for tax-exemption. This will adversely impact construction and renovation projects currently underway. The Washington State Housing Finance Commission has over $720 million of undrawn private activity bonds for projects currently in process. Without a fix to the Bill, borrowers either will need to draw all of those amounts before year end, or pay taxable interest rates on amounts drawn after December 31. In most cases, this will require amendments to existing bond documents to allow borrowers to draw out funds early. **You should talk with your lender if you have a draw-down bond and have undrawn amounts remaining that you do not plan to draw until after December 31.**

Reissuances. Multifamily and 501(c)(3) borrowers will need to be careful to avoid an inadvertent refunding resulting from a "reissuance" of outstanding bonds. Under the Tax Code, certain modifications of bond terms, which can include changes in interest rates or amortization schedules, may result in a reissuance of that bond. Without transition rules, reissuance of outstanding private activity could result in interest on those bonds being declared taxable. **If you have a tax-exempt bond that has periodic interest rate resets, you should talk with your lender to confirm that the rate reset will occur based on an objective formula that will work without any subjective decision. If that is not the case, you may need to amend your documents to include an objective rather than subjective formula before year end to preserve the future tax-exemption of your bonds.**

Advance Refunding Bonds. An advance refunding occurs when refunding bonds are issued more than 90 days prior to the call date for the prior bonds (which is typically 10 years from the original issue date). Proceeds of the refunding bonds are placed in an escrow and used to redeem the prior bonds on their call date. Current law allows 501(c)(3) bonds a single opportunity to advance refund prior bonds on a tax-exempt basis to take advantage of low interest rates even if the prior bonds are not immediately callable. **The Bill would prohibit the tax-exempt advance refunding of any outstanding 501(c)(3) bonds after December 31, 2017.**

Please contact your bank, counsel, or the Commission if you have additional questions or concerns.