



## Ohio Volume Cap Program Fact Sheet 2016

- A **tax-exempt bond** is a bond for which the interest earned by bondholders is not subject to federal and/or state and local income tax. Entities or individuals investing in tax-exempt bonds are willing to accept a lower interest rate because they are saving on their income tax expense. This results in a lower cost of capital for the borrower who finances with tax-exempt bonds.
- A **municipal bond** is issued by the state, a political subdivision, a state agency or an authority and is used to finance a public project (highways or school building). Municipal bonds are tax-exempt, but public entities can also issue bonds on behalf of private businesses, these bonds are known as **Private Activity Bonds (PAB's)** and are subject to federal income tax.
- Certain types of PAB's are selected by the federal government to be exempt from federal income tax, but the IRS places a limit on the volume of these tax-exempt private use bonds. This limit is known as "**volume cap**" and refers to the ability to issue private use bonds as tax-exempt.
- Each state is given volume cap (tax-exempt bonding allocation authority) annually on a per-capita basis, currently \$100 per resident. The total 2016 volume cap available to the State of Ohio is \$1,161,342,300, meaning no more than this amount of tax-exempt private use bonds can be issued in the State.
- In Ohio there are five categories of projects eligible for tax-exempt financing based upon Section 122-4-02 of the Ohio Administrative Code:
  - Multi-family housing (15% allocation up to \$120 million, whichever is less)
  - Single-family housing (\$300 million allocation available for the Ohio Housing Finance Agency)
  - Exempt facilities (10% allocation up to \$100 million, whichever is less)
  - Qualified small issue (10% allocation up to \$100 million, whichever is less, for manufacturing companies)
  - Student loan bonds (10% allocation up to \$120 million, whichever is less).
- For certain categories<sup>1</sup>, if the allocation is not used by a certain date (defined in the Ohio Administrative Code), then the remaining volume cap is deposited into the Director's Discretionary fund to be used by projects in other categories.
- Any remaining volume cap unused at the end of the calendar year can be given to an issuer for use sometime in the subsequent three calendar years (known as a "**carryforward**" allocation). If volume cap is not carried forward or used during the calendar year, it expires.

### Footnote

<sup>1</sup> Applicable to multi-family housing, exempt facilities, and qualified small issue. Transfers into the discretionary fund may also include allocations reduced from other categories due to carry forwards from previous years.