HAWKINS

Co-author of “Tax-exempt Financing for P3 Projects”

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Eric Petersen co-authored the article entitled “Tax-exempt Financing for P3 Projects” published in the April 2014 edition of the Public Works Financings. In the article Eric Petersen and co-author Steve Howard explore the importance of tax-exempt in implementing P3 projects and pursue with what may be tax-exempt municipal financings to taxable private projects.

It is the public works financing reality that P3 advocates in the U.S. know all too well: tax-exempt bonds (the ExFactor). Both of us have deep roots in the conventional municipal bond business. We have watched through the years as proposed P3 projects have encountered the regulatory thicket of “private activity bond” (PAB) rules. These rules, established by the Internal Revenue Code and IRS regulations (collectively, the “Code”), seek to limit the volume of tax-exempt debt in the market, and consequent revenue loss to the Treasury. Achieving tax-exempt status for PAB bonds has proven to be crucial to P3 project economics. In fact, P3 activity in any particular infrastructure sector turns out to be largely correlative to the degree of flexibility that public agencies have to sponsor P3 projects in that sector on a tax-exempt PAB basis.

Attorney

- Eric S. Petersen