

15 JAN 1985

Ronald A. Pearlman
Acting Assistant Secretary (Tax Policy)

Tom Neubig
Office of Tax Analysis

Meeting with Public Securities Association Representatives

Joe Krolikowski and I met with Neil Atterman, Heather Ruth, and Jon Tumler to discuss the tax-exempt bond proposals. They had a number of questions about the direction of non-governmental bonds. I think that we owe the bond community more information about the exact definition of non-governmental bonds so that they can evaluate our proposal. At the current time they are saying that under the worst-case scenario that we are eliminating 95 percent of all issues. I am sure that that was not our intent.

They asked specifically about whether the following three projects would qualify for tax-exempt financing under the Treasury proposal:

- 1) A municipal power plant that builds to a capacity that meets future need, but which has excess capacity for the first 5-15 years and sells the excess output on contract to the local private utility.
- 2) A proposed "Levittown" in Florida that would require installation of sewers and streets on land owned by the developer before development of the land is finished.
- 3) A solid waste disposal facility that is owned and operated by the municipality but which charges tipping fees to private dumpers and sells the steam generated to private business.

These particular examples raise two general issues that must be resolved:

- 1) If bond proceeds benefit a non-governmental intermediary, such as a developer, during an interim period before the ultimate use by the general public, is the bond a governmental bond? If an interim period is allowed, what is the length of the interim period?
- 2) If municipalities operate activities which could reduce prices or fees paid by business, is tax-exempt financing allowed? If long-term contracts are prohibited, then what period is treated as a long-term contract?

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	
SURNAME						
INITIAL/DATE	/	/	/	/	/	/

Without answers to these issues, we cannot expect the industry to provide reasonable estimates of the impact on the volume; nor can Treasury really analyze or estimate revenues for the proposal. I think we need to meet with you to resolve these issues and provide the bond community with more information on the definition of governmental bonds.

cc: C. McLure
J. Lokey
E. Steuerle