
SENATE BILL NO. 5—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF THE NEVADA LEAGUE OF
CITIES AND MUNICIPALITIES)

PREFILED NOVEMBER 15, 2016

Referred to Committee on Government Affairs

SUMMARY—Revises provisions relating to the issuance of certain private activity bonds. (BDR 30-420)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to public obligations; revising provisions governing the allocation of the limits established by federal law on the issuance of certain bonds that are exempt from taxation; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Under the federal tax code, states and local governments are allowed to pay for
2 certain private projects that primarily benefit or are used by a private entity but
3 have some public benefit through the issuance of bonds known as private activity
4 bonds. If the bonds are issued for certain private activities specified in federal law,
5 known as qualified private activities, the bondholders are not required to pay
6 federal income taxes on the interest that they earn on the bonds. (26 U.S.C. §§ 103,
7 141) Examples of qualified private activities include multifamily rental projects,
8 airports and student loans. (26 U.S.C. §§ 142-145, 1394) For some of these
9 qualified private activities, federal law places an annual limit on the total dollar
10 amount of tax-exempt private activity bonds that can be issued in each state, which
11 is known as the “state ceiling” and is based on each state’s population. Each state is
12 authorized to allocate the state ceiling among state and local governmental agencies
13 and other authorized issuers. An allocation of the state ceiling to an issuer is known
14 as the issuer’s volume cap. (26 U.S.C. § 146; NRS 348A.040; NAC 348A.250)
15 Private activity bonds that are subject to the volume cap but are issued in excess of
16 an issuer’s volume cap are not tax-exempt. (26 U.S.C. § 146)

17 Under existing law, the aggregate face amount of qualified private activity
18 bonds which is authorized to be issued in Nevada in each calendar year is: (1) for
19 State Government, as administered by the Director of the Department of Business
20 and Industry, 50 percent of the state ceiling; and (2) for a local government,



21 50 percent of the state ceiling in proportion to the percentage that the population of
22 the local government bears to the entire population of Nevada. (NRS 348A.020)
23 Under existing regulation, the Director is authorized to augment or transfer a
24 portion of the State's volume cap (50 percent of the state ceiling) to certain
25 governmental entities. (NAC 348A.170, 348A.230) Existing regulations also
26 authorize a local government to transfer a portion of its volume cap to another local
27 government or other political subdivision located within the same county for a
28 specific project. (NAC 348A.180, 348A.190)

29 The Nevada Rural Housing Authority, which is created in existing law, has
30 various powers and duties relating to providing and financing affordable housing in
31 Nevada. (NRS 315.961-315.99874) The only manner in which the Authority is
32 authorized to issue qualified private activity bonds under existing law is pursuant to
33 a transfer of all or a portion of the volume cap of the State or a local government to
34 the Authority. (NAC 348A.170, 348A.180) This bill allocates 10 percent of the
35 state ceiling to the Nevada Rural Housing Authority and accordingly reduces to 45
36 percent each the percentage of the state ceiling allocated to the State and local
37 governments.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 348A.020 is hereby amended to read as
2 follows:

3 348A.020 For the purpose of determining, within the
4 limitations established by 26 U.S.C. § 146, the aggregate face
5 amount of private activity bonds which may be issued during any
6 calendar year:

7 1. The volume cap for the Director is, for any calendar year,
8 ~~50~~ 45 percent of the state ceiling for that year, subject to
9 augmentation or diminution in accordance with any regulation
10 adopted pursuant to NRS 348A.040.

11 2. The volume cap for any local government in this state is, for
12 any calendar year, an amount which bears the same ratio to ~~50~~ 45
13 percent of the state ceiling for that year as the population of that
14 local government bears to the population of the entire state, subject
15 to augmentation or diminution in accordance with any regulation
16 adopted pursuant to NRS 348A.040.

17 3. *The volume cap for the Nevada Rural Housing Authority*
18 *created pursuant to NRS 315.977 is, for any calendar year, 10*
19 *percent of the state ceiling for that year, subject to augmentation*
20 *or diminution in accordance with any regulation adopted pursuant*
21 *to NRS 348A.040.*

22 **Sec. 2.** This act becomes effective on July 1, 2017.

