

Client Advisory | *March 2010***President Signs HIRE Act - Allows Direct Subsidies for Issuers of Certain Qualified Tax Credit Bonds**

On Thursday, March 18, 2010, the President signed into law the [Hiring Incentives to Restore Employment Act](#) (the “HIRE Act”), which, among other things, changes the rules for issuers of certain Qualified Tax Credit Bonds (QTCBs) described in Section 54A of the Internal Revenue Code (Code). The HIRE Act allows issuers of certain QTCBs to receive direct subsidy payments, not unlike those already available to issuers of Build America Bonds (BABs) and Recovery Zone Economic Development Bonds. The HIRE Act permits these QTCB issuers to elect to receive the new direct subsidy payments, or to forego the direct subsidy payments and to permit holders of these QTCBs to receive tax credits as provided prior to passage of the HIRE Act.

Eligible QTCBs are qualified school construction bonds (QSCBs), qualified zone academy bonds (QZABs), qualified energy conservation bonds (QECBs), and new clean renewable energy bonds (New CREBs). The new law does not affect “qualified forestry conservation bonds,” the other type of tax credit bonds described in Section 54A of the Code.

Issuers of QSCBs and QZABs can elect to receive direct subsidy payments equal to the lesser of (1) the amount of interest the issuer pays on each interest payment date; or (2) one hundred percent (100%) of the amount of interest that would have been payable if such interest had accrued at the applicable credit rate under the tax credit option.

Issuers of QECBs and New CREBs can elect to receive direct subsidy payments equal to the lesser of (1) the amount of interest the issuer pays on each interest payment date; or (2) seventy percent (70%) of the amount of interest that would have been payable if such interest had accrued at the applicable credit rate under the tax credit option.

These changes apply to bonds issued after March 18, 2010.

Prospective issuers of these types of QTCBs should consult with their financial advisors with respect to the opportunities presented by the HIRE Act. If you have any questions about the law relating to QTCBs, please contact one of the authors listed below, or another member of the Edwards Angell Palmer & Dodge Public Finance practice.

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