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FLOOR DEBATE

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by law, meaning the nonprofit status as determined by law, and to issue revenue bonds for the purpose of defraying the costs of such acquisition, financing, and developing. Such bonds would not be a general obligation to the governmental subdivision, would be taxable or exempt to taxation...or exempt from taxation to the same extent as private property similarly held and used would be during the period of any lease. The activities of the political subdivision exercised under this subsection would be deemed for a public purpose, but the subdivision would not acquire the property by condemnation. So this is not a use of eminent domain. The principal and interest on the bonds issued could be secured by a pledge of the lease and any revenue derived therefrom. There is an express prohibition against the exercise of the new authority on behalf of property to be used primarily for sectarian instruction or study, so that while it is available to nonprofits, it's not available for sectarian instruction or study or as a place for devotional activities or religious worship. So we've carved that out of the world of the nonprofits. Note that the prohibition is tied to the use of the property and not the organization owning the property. The proposed change would serve to allow Nebraska charitable organizations which are exempt under Section 501(c)(3) of the IRS Code to participate in the federal tax benefits which are derivable from the inclusion of their projects within the definition of those eligible for industrial development bonds. Because of existing...

SENATOR CUDABACK: One minute.

SENATOR LANDIS: ...restrictions in the Internal Revenue Code, it is desirable to provide an option for local financing for such organizations. The IRS Code disallows a portion of a financial institution's deduction for interest paid to the extent the financial institution holds nonexempt obligations acquired after August 7, 1986. An exception permits issuers of less than \$10 million per year of revenue bonds to designate certain tax-exempt obligations as qualified tax-exempt obligations. So when they declare them, they are tax-exempt. Because these obligations have a wider potential market, they bear generally lower interest rates than comparable obligations that are not qualified. This amendment would allow nonprofit