



**Maryland Commission on Climate Change
Mitigation Working Group
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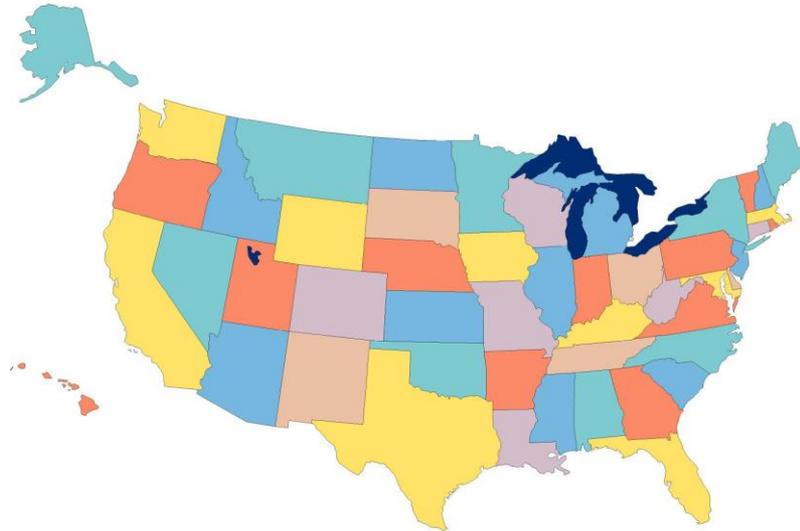
What are QECBs?

- Tax credit bonds for qualified energy conservation programs including:
 - to reduce energy consumption in publicly owned buildings by at least 20%
 - to implement green community programs (including the use of grants, loans, or other repayment mechanisms to implement such programs)
 - for rural development (including the production of renewable energy)
 - for certain renewable energy facilities (such as wind, solar, and biomass)
 - for certain mass commuting projects

What are QECBs?

- Interest on QECBs is taxable to the purchaser(s) of the bonds who receive(s) the interest, unlike standard tax-exempt bonds.
- Instead, the issuer typically applies for a direct cash payment from the US Treasury that substantially offsets the interest payments the issuer makes to the bond purchaser(s).
 - Treasury pays the issuer the lesser of the taxable coupon rate or 70% of “qualified tax credit rate” (QTCR) as of the date of issuance (subject to 6.9% reduction for sequester in FY 2017), which you can look up here:
<https://www.treasurydirect.gov/GA-SL/SLGS/selectQTCDate.htm>
- Can pool with other municipal bond issuances to reduce issuance costs

QECCBs Nationwide



Produced by the Cartographic Research Lab
University of Alabama

- Of \$3.2 billion in total allocations, around \$1.32 billion (41 %) are known to have been issued
- Allocated to states based on population; states “shall” suballocate to large local governments (LLGs) (population of 100,000 or more)
 - LLGs can waive suballocation back to state

QECCBs in Maryland

Maryland Allocation = \$ 58,445,000

Total Issued to Date = \$10,665,000 (18%)

Total Remaining = \$47,780,000 (82%)

QECCBs in Maryland

	Allocation	Total Issued
Anne Arundel County	\$5,324,796	\$0
Baltimore County	\$8,188,030	\$0
Carroll County	\$1,761,908	\$0
Charles County	\$1,463,345	\$0
Frederick County	\$2,340,341	\$0
Harford County	\$2,499,895	\$0
Howard County	\$2,850,689	\$0
Montgomery County	\$9,793,890	\$4,165,000 +
Prince George's County	\$8,662,178	\$0
St. Mary's County	\$1,044,425	\$0
Washington County	\$1,508,357	waived to state
Baltimore City	\$6,659,180	\$0
State of Maryland	\$6,347,968	\$6,500,000



QECB Waivers

Types of Waiver

- **3 types of waiver:**
 - **Affirmative Waiver:** Large local government must affirmatively waive its suballocation (generally by an act such as a resolution or motion of the county or city council) or the state does not recognize the waiver
 - **Constructive Waiver:** The state requests each large local government to notify the state by a certain date of its intent to utilize its suballocation, failure to notify is treated as waiver
 - **Letter of Intent (LOI)** - the state sends a “Letter of Intent” to each large local government (LLG) asking whether the LLG is going to use its QECB allocation. If the LLG checks “no” on the Letter of Intent the QECB funds are considered waived and are reallocated back to the state

Implementing Waiver Process

- States have used a number of different approaches to putting waiver processes into place, including:
 - simultaneous allocation and waiver authorization through Executive Order
 - simultaneous allocation and waiver authorization through legislation
 - absence of any officially authorized waiver process
- At least two states (Idaho and Virginia) used an executive order to simultaneously authorize allocations and a constructive waiver process
- Not aware of any state that has issued an Executive Order solely for purpose of clawing back allocations to the state level

Change to *IRS Frequently Asked Questions on Qualified Tax Credit Bonds and Specified Tax Credit Bonds Q38*

Under section 54D(e)(2)(B), the amount of volume cap for QECBs allocated to a large local government may be reallocated by such local government to the State in which such local government is located. **The IRS will defer to any reasonable process under applicable State law by which a large local government, acting through its governing body or a duly authorized official of a large local government, voluntarily reallocates its volume cap for QECBs back to the State in which such large local government is located.** The IRS will defer to any reasonable manner in which the State, in good faith and in its discretion, may allocate such reallocated volume cap, subject to the requirement of section 54D(e)(3) that not less than 70 percent of the reallocation be used for bonds other than private activity bonds.

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