

# Industrial Revenue Bonds

Industrial Revenue Bonds have a variety of names and purposes (industrial development bonds, IDB's, IRB's and qualified small issue bonds) but essentially are of three basic types.

The regulations governing bond issuance are a combination of federal regulations and North Carolina statutes. The amount each state may issue annually is designated by population.

In 2004, the NC General Assembly removed the 'wage test' from the IRB program, hoping to spur investment by manufacturers in North Carolina.

There are three types of bond issuances as follows:

**Tax Exempt** - (Small Issue IDB's) Because the income derived by the bond holder is not subject to federal income tax, the maximum bond amount is \$10 million in any given jurisdiction. According to federal regulations, the \$10 million total includes the bond amount and capital expenditures over a six year period going both backwards and forwards three years. The maximum any company may have is \$40 million nationwide outstanding at any given period.

**Taxable** - They are not exempt from federal tax (they are however exempt from North Carolina taxes). The essential difference is that the **Taxable** bond rate is more costly to the borrower and not being subject to the federal volume cap, may exceed \$10 million in bond amount.

**Exempt Facility/Solid Waste Disposal Bond** - These bonds are subject to volume cap although there is no restriction on amount and the interest on these bonds is federally tax exempt.

All three bond types are processed and approved in the same manner. The State supervises, approves and guides bond applications. The County Bond Authority issues the bonds where the facility will be located. The County Authority may select Bond Counsel for the project.

Two of the more significant regulations are:

- IRB funds can be used only by a company engaged in some manner of manufacturing,
- IRB proceeds may be used only for land, building and equipment

For more information, visit: <http://www.nccommerce.com/finance/incentives/irb/>