To: Oklahoma Capitol Improvement Authority Bond Fund Recipient

From: Scott A. Reygers, Administrator of the Oklahoma Capitol Improvement Authority

Date: February 7, 2019

Subject: Post Issuance Private Use Survey – Tax-Exempt Bonds

You are receiving this letter because your entity received tax-exempt bond funds from the Oklahoma Capitol Improvement Authority (the “Authority”). As the issuer of tax-exempt bonds, the Authority is required to comply with federal tax rules that limit the amount of private business use associated with property financed with tax-exempt bonds

Federal tax rules limit the nature and amount of private business use associated with property financed with tax-exempt bond funds. Section 141(b)(6) of the Internal Revenue Code defines “private business use” as “use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit.” Private business use may include: private and or federal research agreements, gift shops, management contracts, private leases, and food service contracts. **A bond issue exceeds the federal private business use limit if more than 10 percent of the proceeds of a bond issue are used for any private business use.** For example, renting out more than 2,000 square feet of a 20,000 square ft. building over the course of one year would exceed the private business use limits. Also, renting out more than 4,000 square ft. of a 20,000 square ft. building over the course of 6 months would exceed the private business use limits.

Excessive private business use may require refinancing the tax-exempt bonds and converting the bonds to taxable bonds. When tax-exempt bonds are converted to taxable bonds, borrowing costs significantly increase for borrowing entity.

If there is a potential change in the use of property financed with tax-exempt bond funds, the borrowing entity and the Authority should discuss the potential changes to determine whether the changes will affect the tax-exempt status of the bonds.

The Authority’s post-issuance compliance policies require regular monitoring of properties financed with tax-exempt bonds. **The attached survey will assist you in determining if property improved or acquired with tax-exempt bond funds falls within the allowable private business use limits set and enforced by the Internal Revenue Service.** Please return the survey to the Authority no later than March 7, 2019.

For help please contact us at 405.522.0366.