



Private Business Use Requirements

501(c)(3) Bond Requirements

- 95% or more of net proceeds used for exempt purpose of the organization
- 5% or less for a "<u>private business use</u>" or an "<u>unrelated trade or business use</u>"
- For this purpose, costs of issuance of the bonds paid with bond proceeds are treated as a private use
- 2% costs of issuance limit
- 100% ownership requirement: in (c)(3) or state or local governmental unit



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Private Business Use Requirements

Governmental Bond Requirements

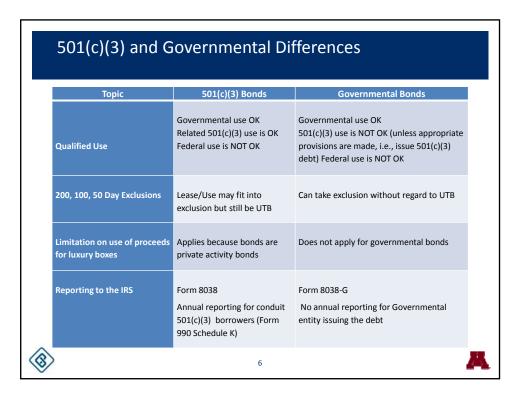
- At least 90% of proceeds used for governmental purposes (sometimes it's 95%)
- Aggregate private business use cannot exceed the "lesser of" 90%, 95% or \$15 million
- Costs of issuance of the bonds paid with bond proceeds are not treated as a private business use



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501(c)(3) and Governmental Differences		
Topic	501(c)(3) Bonds	Governmental Bonds
Type of Issuance	Private Activity Bonds	Governmental Bonds
Ownership	All Property must be owned	Not more than 10% of 3 rd party ownership allowed
Private Business Use as a % of Debt Issuance	5% reduced by Costs of Issuance capped at 2% leaves 3% [Total PBU limited to \$15 million]	10% w/o any reduction for Costs of Issuance [Total PBU limited to \$15 million]
Unrelated Use of Facility	Unrelated Business Income creates PBU	No PBU from Unrelated Business Income
Unrelated Use Not Reported on	Activities are PBU	Not Applicable

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