

# THE BOND BUYER

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IRS Releases 2012, 2013 QZAB Allocations for States

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WASHINGTON — The Internal Revenue Service on Thursday issued allocations for \$400 million of qualified zone academy bonds for each of the 2012 and 2013 calendar years, showing the maximum amount of these bonds that can be issued in each state.

QZABs are taxable tax credit bonds that can only be issued by a state or local government within the jurisdiction of a qualified zone academy. A qualified zone academy is any public school or program established and run by an eligible local education agency to educate and train teachers and other education personnel.

Under section 54E of the Internal Revenue Code, QZABs can be issued to rehabilitate or repair public school facilities, purchase equipment, develop course materials, and to train teachers and other school personnel. They can't be used for new construction.

Issuers have to certify that they have satisfied "the private business contribution," which states they received written commitments from private entities to make qualified contributions having a present value of not less than 10% of the proceeds of the bonds, according to the IRS.

California received the largest allocation of QZABs for 2013, at \$48.715 million followed by Texas with \$36.825 million, Florida with \$25.291 million and New York with \$24.219 million.

The Northern Marianas Islands received the smallest allocation, at \$177,000, followed by the Virgin Islands with \$284,000, American Samoa with \$323,000 and Guam with \$330,000. Similar to 2011, Wyoming had the smallest state allocation, at \$500,000.

Unused QZAB volume cap allocation can be carried forward for only two years and then it expires.

QZAB volume cap is allocated by the Treasury Secretary. The national allocation to states and territories was \$400 million for 2008, \$1.4 billion for each of 2009 and 2010, and \$400 million for each of 2011, 2012 and 2013.

Fifty-two issues of QZABs totaling \$362.6 million were issued in 2012, 68 issues totaling \$660.2 million in 2011, 51 issues totaling \$199.3 million in 2010 and 20 issues at \$52.6 million in 2009, according to Thomson Reuters.

Congress permitted QZABs allocated for 2010 to be issued as direct-pay bonds, similar to Build America Bonds, but then directed that QZABs only be issued as tax credit bonds after that. Both kinds of bonds are taxable. But with tax credit bonds, bondholders receive federal tax credits and with direct-pay bonds, issuers receive subsidy payments from the Treasury Department.



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