

ALBANY
 AMSTERDAM
 ATLANTA
 AUSTIN
 BOSTON
 CHICAGO
 DALLAS
 DELAWARE
 DENVER
 FORT LAUDERDALE
 HOUSTON
 LAS VEGAS
 LONDON*
 LOS ANGELES
 MEXICO CITY+
 MIAMI
 NEW JERSEY
 NEW YORK
 ORANGE COUNTY
 ORLANDO
 PALM BEACH COUNTY
 PHILADELPHIA
 PHOENIX
 SACRAMENTO
 SAN FRANCISCO
 SHANGHAI
 SILICON VALLEY
 TALLAHASSEE
 TAMPA
 TEL AVIV^
 TYSONS CORNER
 WARSAW-
 WASHINGTON, D.C.
 WHITE PLAINS

*Strategic Alliances with
 Independent Law Firms***

MILAN
 ROME

Sequestration Cuts Direct Payments on Build America Bonds and Tax Credit Bonds by 8.7%

Pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended, the President of the United States has ordered that certain automatic spending cuts be implemented pursuant to calculations provided by the United States Office of Management and Budget (OMB) in its Report to the Congress on sequestration dated March 1, 2013. These cuts include automatic across-the-board cuts in certain categories of federal spending for the period from March 1, 2013 until the end of the government's current fiscal year on September 30, 2013. The cuts include mandatory reductions in the amounts scheduled to be paid by the federal government to issuers of Build America Bonds, Qualified Zone Academy Bonds, Qualified School Construction Bonds, New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds (collectively, "Direct-Pay Bonds") under Section 6431 of the Internal Revenue Code.

The OMB indicates that, because these cuts must be achieved over only seven months instead of 12, the effective percentage reduction for fiscal year 2013 for non-exempt nondefense programs, such as payments for Direct-Pay Bonds, will be approximately 9%. The Internal Revenue Service (IRS) announced on March 4, 2013, that payments to issuers of Direct-Pay Bonds from the budget accounts associated with these bonds are **subject to a reduction of 8.7%** of the amount budgeted for such payment. The sequester reduction rate will be applied to amounts claimed by an issuer on any IRS Form 8038-CP filed with the IRS that results in a payment to such issuer on or after March 1, 2013. Accordingly, unless Congress acts to change the sequester percentage or otherwise changes the application of the cuts, issuers of Direct-Pay Bonds can expect to see an 8.7% reduction in amounts they are otherwise expecting to receive after March 1, 2013 for fiscal year 2013, resulting in a corresponding increase in interest costs that must be paid from an issuer's other revenue sources.

The procedure for claiming payments for Direct-Pay Bonds has not changed. The IRS has indicated that issuers should continue to file an IRS Form 8038-CP in the manner provided in the form's instructions (i.e., claiming a refund for the full amount due). Issuers affected by the cuts will be notified through correspondence that a portion of their requested payment was subject to the sequester reduction. Issuers should use the correspondence received by the IRS to identify and track the portion of amounts requested that were subject to the sequester reduction. Below is a link to the IRS website containing more information:

<http://www.irs.gov/Tax-Exempt-Bonds/Effect-of-Sequestration-on-Certain-State-and-Local-Government-Filers-of-Form-8038CP>

Please contact your [GT Public Finance lawyer](#) if you have concerns or questions about how sequestration may affect your Direct-Pay Bonds, including any particular concerns about redemption provisions or continuing disclosure obligations.

This GT Alert was prepared by Carla Young and Vanessa Albert Lowry. Questions about payments relating to Direct-Pay Bonds can be directed to:

- [Carla Young](#) | 703.749.1311 | youngc@gtlaw.com
- [Vanessa Albert Lowry](#) | 215.988.7811 | lowryv@gtlaw.com
- Any member of the [Greenberg Traurig Public Finance Group](#)
- Your [Greenberg Traurig](#) attorney

Albany 518.689.1400	Delaware 302.661.7000	Mexico City+ +52 55 5029.0000	Palm Beach County S. 561.955.7600	Tallahassee 850.222.6891
Amsterdam + 31 20 301 7300	Denver 303.572.6500	Miami 305.579.0500	Philadelphia 215.988.7800	Tampa 813.318.5700
Atlanta 678.553.2100	Fort Lauderdale 954.765.0500	New Jersey 973.360.7900	Phoenix 602.445.8000	Tel Aviv^ +03.636.6000
Austin 512.320.7200	Houston 713.374.3500	New York 212.801.9200	Sacramento 916.442.1111	Tysons Corner 703.749.1300
Boston 617.310.6000	Las Vegas 702.792.3773	Orange County 949.732.6500	San Francisco 415.655.1300	Warsaw~ +48 22 690 6100
Chicago 312.456.8400	London* +44 (0)203 349 8700	Orlando 407.420.1000	Shanghai +86 21 6391 6633	Washington, D.C. 202.331.3100
Dallas 214.665.3600	Los Angeles 310.586.7700	Palm Beach County N. 561.650.7900	Silicon Valley 650.328.8500	White Plains 914.286.2900

Tax Advice Disclosure: To ensure compliance with requirements imposed by the IRS under Circular 230, we inform you that any U.S. federal tax advice contained in this communication (including any attachments), unless otherwise specifically stated, was not intended or written to be used, and cannot be used, for the purpose of (1) avoiding penalties under the Internal Revenue Code or (2) promoting, marketing or recommending to another party any matters addressed herein.

*This Greenberg Traurig Alert is issued for informational purposes only and is not intended to be construed or used as general legal advice. Please contact the author(s) or your Greenberg Traurig contact if you have questions regarding the currency of this information. The hiring of a lawyer is an important decision. Before you decide, ask for written information about the lawyer's legal qualifications and experience. Greenberg Traurig is a service mark and trade name of Greenberg Traurig, LLP and Greenberg Traurig, P.A. ©2013 Greenberg Traurig, LLP. All rights reserved. *Operates as Greenberg Traurig Maher LLP. **Greenberg Traurig is not responsible for any legal or other services rendered by attorneys employed by the strategic alliance firms. +Greenberg Traurig's Mexico City office is operated by Greenberg Traurig, S.C., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ^Greenberg Traurig's Tel Aviv office is a branch of Greenberg Traurig, P.A., Florida, USA. ~Greenberg Traurig's Warsaw office is operated by Greenberg Traurig Grzesiak sp.k., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. Certain partners in Greenberg Traurig Grzesiak sp.k. are also shareholders in Greenberg Traurig, P.A.*