



CTED

Community, Trade and
Economic Development

Small Issue Intangible Property Frequently Asked Questions

Q. Who is eligible to use Small Issue Intangible Property Bonds, and what can they be used for?

A. Businesses that produce certain kinds of "intangible property" as defined in the United States Code Section 197(d)(1)(C)(iii) are eligible. The Code defines "intangible property" to include "any patent, copyright, formula, process, design, pattern, knowhow, format, or similar item." Under this program, these businesses, along with traditional manufacturing businesses, may work with a qualified bond issuing authority to issue a tax-exempt bond to finance construction of business facilities, business expansion projects, or purchase of equipment.

Important Note: This program allocates the authority to issue tax-exempt private activity bonds to bond investors in order to finance economic development activities; it is not a direct funding program that allocates public dollars.

Q. How much bond issuing authority is available?

A. For 2009, approximately \$132 million in tax-exempt bond issuing authority remains available. For 2010, approximately \$147 in tax-exempt bond issuing authority will be available. Bond issuances for any one project may not exceed \$10 million.

Q. Where, how and when do I apply for an allocation?

A. The business is required to work with a bond issuer authorized to issue bonds in the state of Washington. The issuer may be a state issuer, a local government, or a local Economic or Industrial Development Corporation. For a list of authorized bond issuers, contact the Bond Cap Allocation Program or visit the website at www.cted.wa.gov/bondcap; click on "Bond Issuing Authorities" on the left hand navigation bar.

The bond issuing authority you choose to work with will assist you to apply to CTED for permission to issue a tax-exempt bond to finance your project. Application forms are available on the Bond Cap website. Follow the link to the "Bond Cap Forms" page, then download the application form for "Small Issue Manufacturing" projects. Applications may be submitted at any time during the calendar year until all the available authority for that year has been allocated.

Q. What is CTED's role in distributing the allocations?

A. CTED reviews applications to ensure compliance with state and federal regulations, and allocates the authority to issue the bonds. This kind of bond, called a "tax-exempt private activity bond" is limited by federal law. CTED ensures that the state does not exceed its allowable total of tax-exempt private activity bonds each year.



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Q. Are there any other rules or obligations I need to know about?

A. Total project capital expenses may not exceed \$20 million over a six-year period that includes three years before and three years after the bond issuance.

The qualified bond issuer you choose to work with will assist you to find a bond attorney, the "Bond Counsel," who will provide legal advice, and a financial institution, the "Underwriter," who will help you to identify an investor, the "Lender", to whom the bond will be sold. Your business will need to sign an agreement with the state Employment Security Department to advertise any jobs created by the project and whenever possible to offer them to qualified low-income individuals. Application and all other required forms can be downloaded from the [Bond Cap Forms page](#).

Your bond must be issued by a specified date during the year in which you receive an allocation of issuing authority, generally by either September 1 or December 15, depending on the date of the allocation. Other application requirements include a list of required permits, a project budget, and estimates of jobs created or retained by the project. There may be additional requirements based on the nature of the project. All requirements are listed in the application form.

Q. I still have questions; who do I contact to get more information?

A. Please contact Liz Green-Taylor at elizabetht@cted.wa.gov or at (360) 725-5021.