

Midwestern Disaster Area Bonds (MDA)

March 2009

In the Heartland Disaster Tax Relief Act (HDTRA) of 2008, which was included in the Emergency Economic Stabilization Act of 2008, Congress amended Section 1400N of the Internal Revenue Code of 1986 to provide assistance to areas in the Midwest that suffered severe storms, tornadoes and flooding.

One of the provisions of HDTRA is the creation of Midwestern Disaster Area (MDA) bonds. MDA bonds are a new kind of private activity tax-exempt bond designed to facilitate the recovery and rebuilding of areas damaged by the severe weather. Businesses that suffered a loss during the severe weather of 2008 are able to borrow funds by using tax-exempt bonds to repair or replace real property. The bonds are issued on a conduit basis, i.e., the borrower (business) is responsible for repaying the debt. Rates and terms will be dependent on the credit-worthiness of the borrower.

To qualify, the business or trade must have suffered a loss attributable to the severe storms, tornadoes or flooding, or the business must be designated by the Governor to be replacing a business or trade that suffered a loss.

The loss must have occurred in one of the counties declared a major disaster area by the President between May 20 and August 1, 2008. In Illinois the counties are Adams, Calhoun, Clark, Coles, Crawford, Cumberland, Douglas, Edgar, Hancock, Henderson, Jasper, Jersey, Lake, Lawrence, Mercer, Rock Island, Whiteside and Winnebago.



For more information please call

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The proceeds of the bonds must be used in one of the counties declared a major disaster area and can only be used for the cost:

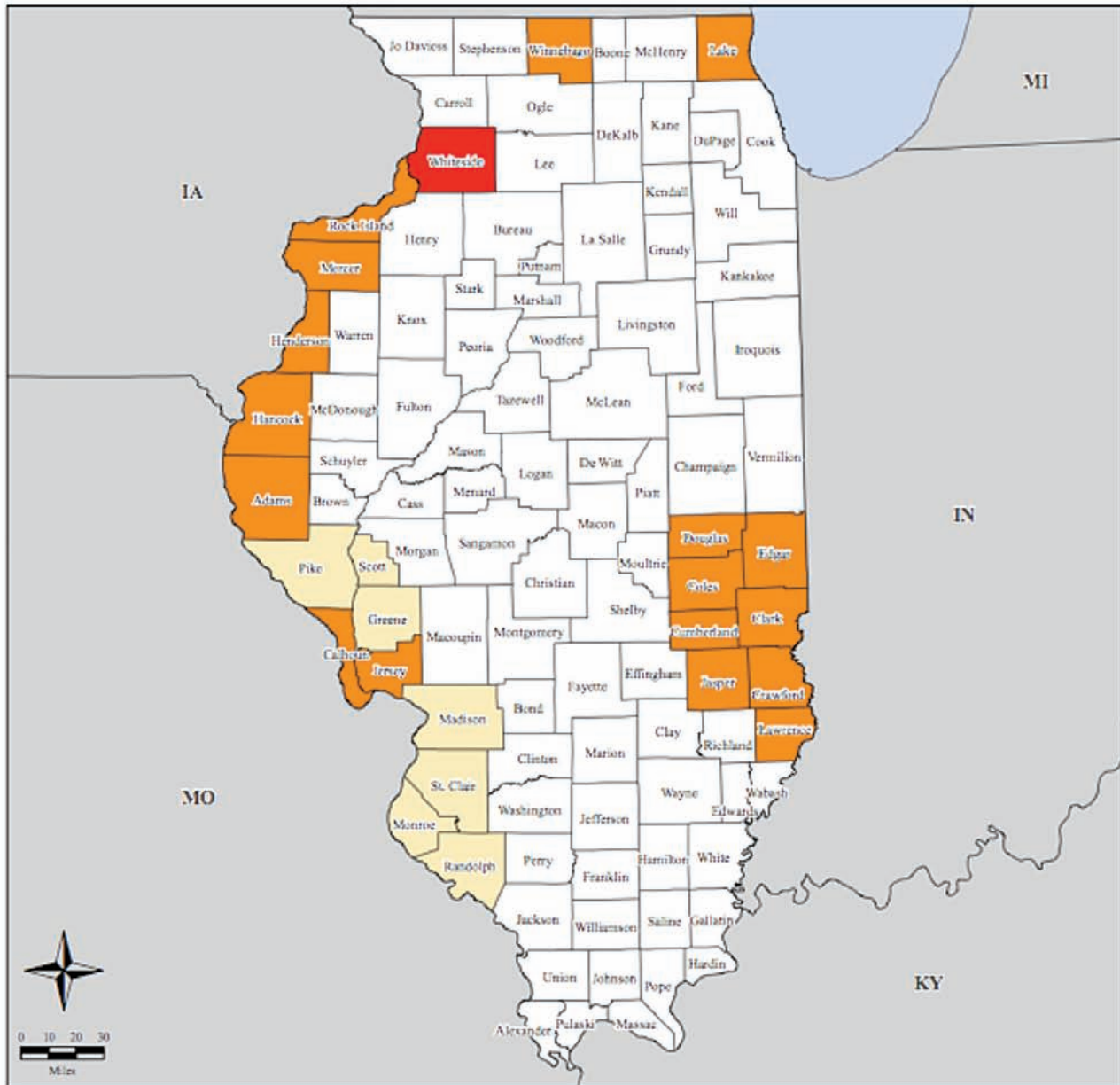
1. of multifamily rental property for low and moderate income individuals
2. to acquire, repair, replace or construct nonresidential real property
3. to repair or reconstruct public utility property

Illinois was provided \$1.5 billion in bonding authority for MDA bonds.

Other requirements:

- the bonds cannot be used to refinance existing debt
- the bonds must be issued before January 1, 2013
- if the bonds are used to acquire existing buildings, the borrower must spend (within two years) at least 50% of the cost of acquisition on rehabilitation of the building
- not more than 25% of the bond proceeds can be used to acquire land
- not more than 2% of the bond proceeds can be used to pay costs related to the issuance of the bonds (legal fees, issuer fees, underwriter fees or discounts)
- bond proceeds cannot be used to finance movable fixtures and equipment
- bond proceeds cannot be used to finance: skyboxes, health clubs, golf courses, country clubs, massage parlors, hot tub facilities, tanning facilities, racetracks or other gambling facilities or liquor stores


FEMA-1771-DR, Illinois Disaster Declaration as of 09/02/2008



Legend

Designated Counties	
	No Designation
	Public Assistance
	Individual Assistance
	Individual Assistance and Public Assistance

All counties are eligible for Hazard Mitigation



FEMA
 ITS Mapping & Analysis Center
 Washington, DC
 09/02/08 - 02:37 PM EDT
 Source: Disaster Federal Registry Notice
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