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Year-End Tax Bill Contains Important Extensions

The Tax Increase Prevention Act of 2014 (the "Act"), H.R. 5771, became effective on December 19, 2014. The Act retroactively extended, through 2014, dozens of tax breaks that expired at the end of 2013. A few of those extensions particularly impact the areas of finance and development:

(1) **Qualified Zone Academy Bonds (QZAB).** QZABs allow certain qualified schools to borrow at nominal interest rates, and holders of such bonds receive a federal income tax credit. No new allocations for QZABs were set to be available to the states after Dec. 31, 2013. However, the Act allocated an additional \$400 million in QZABs for 2014, which will expire if not issued on or before December 31, 2016.

(2) **New Market Tax Credits (NMTC).** The NMTC program encourages investment in qualifying low-income communities by providing tax credits to investors in eligible community development projects. The Act authorized \$3.5 billion in 2014 allocations for the program, which must be used by December 31, 2019.

(3) **Empowerment Zones.** Qualifying businesses in Empowerment Zones are eligible for a variety of benefits, including employment tax credits, low-cost borrowing, increased tax deductions on certain equipment, and partial-exclusion or delayed recognition of capital gains upon the sale of certain assets. Previously, Empowerment Zone status expired on December 31, 2013; however, the Act extended any existing Empowerment Zone designations through the end of 2014.

As a related update, federal sequestration will continue to affect all direct-pay bonds through fiscal year 2015, ending on September 30, 2015. Direct pay bonds (including QZABs, Build America Bonds, New Clean Renewable Energy Bonds, Qualified Energy Conservation Bonds, and Recovery Zone Economic Development Bonds) provide the issuer with a tax-credit subsidy of a certain percentage of the interest on the bonds. Unless the sequestration is cancelled or

amended, this subsidy will remain subject to a 7.3% reduction through the end of fiscal year 2024.

If you have any questions regarding these extensions or would like to discuss any related programs or tax benefits, please contact [Denise Barkdull](#), [Emmett Kelly](#), [David Rogers](#), [Patrick Woodside](#), [Joe Nixon](#) or any other member of Frost Brown Todd's [Public and Project Finance practice group](#), or [Lark Mallory](#) in the [Tax Law](#) practice group.

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