

KROKIDAS & BLUESTEIN
ATTORNEYS

CLIENT ALERT

QUALIFIED ZONE ACADEMY BONDS:

IS YOUR SCHOOL AN ELIGIBLE QZAB BORROWER?
CAN YOUR SCHOOL USE QZABS TO FINANCE RENOVATIONS?

The Qualified Zone Academy Bond (“QZAB”) financing program allows charter schools to obtain interest-free financing for up to 25 years for rehabilitating or repairing school facilities, providing equipment, developing course materials, and training teachers and other school personnel. Under this program, eligible schools are issued interest-free bonds which are sold to bondholders who receive an interest subsidy from the federal government, or tax credits on their federal income tax returns, to compensate them for the value of the foregone interest. Not all charter schools can use QZABs. The program is only available to charter schools which are located in empowerment or enterprise zones and charter schools in which at least 35% of the participating students are eligible for free or reduced-cost lunches. The good news is that many Massachusetts charter schools qualify for QZAB financing based on free and reduced-cost lunch program participation. According to recent Department of Elementary and Secondary Education information, 50 charter schools in Massachusetts are eligible QZAB borrowers.

On January 31, 2013, the IRS issued notice 2013-03 which sets forth the maximum face amount of QZABs that may be issued for calendar years 2012 and 2013 under Section 54E(c)(2) of the Internal Revenue Code. The national limitation for QZABs issued for each of calendar years 2012 and 2013 is \$400 million, and the amount allocated to Massachusetts for each year is \$5,893,000.

If you would like more information on the QZAB financing program, please contact Elka Sachs (ETS@kb-law.com) or Samuel Nagler (SN@kb-law.com) at Krokidas and Bluestein LLP.