August 17, 2026

Recent Activity on the Hill Highlights Opportunities for Tax-Exempt Bonds

On the Hill

Congress has seen a series of recent proposals that would expand the use of tax-exempt bond financing across several sectors. While each proposal is still at an early stage and would require further congressional action before becoming law, taken together they reflect continued interest in preserving and expanding tax-exempt financing tools for housing, education, transportation and infrastructure.

A key housing-related proposal is the *First-Time Homebuyer Affordability Act*, introduced last Monday in the House by Representatives Darin LaHood (IL-16), Jimmy Panetta (CA-19), Blake Moore (UT-01), and Tom Suozzi (NY-01). The bill would amend Section 146(g) of the Internal Revenue Code of 1986 to exempt qualified mortgage bonds from the private activity bond volume cap, with the amendments applying to obligations issued after the date of enactment.

Other pending proposals in the Senate would make similar changes for additional categories of tax-exempt financing. The *Student Loan Bond Expansion Act of 2026*, introduced by Senators Grassley (IA) and Welch (VT), would exempt qualified student loan bonds issued after the date of enactment from both the volume cap and the alternative minimum tax and add a pooled financing bond rule providing that student borrowers are not treated as ultimate borrowers. The *Transit for Urban Renewal and Business Opportunities Act,* or *TURBO Act,* introduced by Senators Duckworth (IL) and McCormick (PA), would modify exempt facility bond rules. The bill would increase the national limitation for qualified highway or surface freight transfer facilities from $30 billion to $45 billion, treat acquisition of rolling stock as part of mass commuting facilities, and lower the speed threshold for high-speed intercity rail facilities from 150 miles per hour to 110 miles per hour.

What This Means for Tax-Exempt Bond Issuers

For tax-exempt bond issuers and market participants, the common thread across these proposals is expansion of access to existing financing tools rather than retrenchment. The *First-Time Homebuyer Affordability Act* and the *Student Loan Bond Expansion Act* would each remove a category of qualified private activity bonds from the state volume cap framework, potentially freeing limited cap for other uses.

The student loan proposal is also significant because removing qualified student loan bonds from the alternative minimum tax preference rules could improve investor treatment and execution for that sector. The bill's pooled financing bond language also addresses technical concerns by clarifying that student borrowers are not treated as ultimate borrowers for purposes of the applicable pooled financing bond rules.

Services

Public Finance

Tax Reform Advocacy

Tax Reform Advocacy Group

Leslie A. Powell
Atlanta
404.222.4639
leslie.powell@kutakrock.com

Michelle G. Adams
Atlanta
404.222.4646
michelle.adams@kutakrock.com

Matthias M. Edrich
Denver
303.292.7887
matthias.edrich@kutakrock.com

Steven C. Likes
Omaha
402.661.8948
steve.likes@kutakrock.com

Frederic H. Marienthal
Denver
303.292.7817
frederic.marienthal@kutakrock.com

Michael G. Thomas
Denver
303.292.7790
michael.thomas@kutakrock.com

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The *TURBO Act* would be particularly relevant for transportation, transit, rail and public-private partnership financings. Reports indicate that the U.S. Department of Transportation has already reached the current $30 billion limit for qualified highway or surface freight transfer facility bonds, while the Build America Bureau estimates a project pipeline of approximately $50 billion. If enacted, the expanded eligibility for rolling stock and the lower high-speed rail threshold could also broaden the universe of transit and rail projects that qualify for tax-exempt financing.

What's Next

Each of these proposals remains in the legislative process and would require further congressional action before becoming law. The housing and student loan proposals could move as standalone measures or be incorporated into broader tax, housing or education legislation. The *TURBO Act* may also be relevant to the surface transportation reauthorization process, where market participants are watching closely for changes to the PAB cap and related eligibility rules.

As always, we will continue to monitor legislative developments closely and provide targeted updates as new information becomes available. These proposals are not yet law, but they are important indicators of continued congressional interest in tax-exempt bonds as a financing tool for housing affordability, student lending, transportation infrastructure and other public-purpose investments.