



Supporting MIT's Mission through the Debt Portfolio

Office of Treasury and Planning



Problem:

Private Business Use Restrictions on Tax-Exempt Debt Financed Facilities

Solution:

Advance Refunding of Tax Exempt Debt and PBU Tracking Surveys

Result:

Freeing up MIT to pursue its research mission...

Private Business Use
Tax-exempt debt (bond) funding, while less expensive than taxable funding, comes with tight IRS restrictions on the use of facilities financed with the proceeds. These restrictions often limit the types of research permitted in tax-exempt funded buildings. The restrictions limit the use by private entities, or private business use (PBU).

Refunding & Surveys
Advance refunding some of the tax-exempt bonds with taxable bonds (essentially refinancing) allowed MIT to defease them and for PBU restrictions to be lifted almost two decades before the original bonds' maturities. However, PBU must still be monitored across all tax-exempt funded buildings. OTP has created a survey that users of tax-exempt funded buildings must complete to closely monitor PBU over the life of the tax-exempt funding.

Result
By alleviating some PBU restrictions earlier and closely monitoring PBU across campus via the surveys, OTP has enabled MIT to broaden its research enterprise and further pursue the Institute's mission.