LANCASTER POLLARD
INVESTMENT ADVISORY GROUP

About Reimbursement Resolutions

Why pass a resolution?

A reimbursement resolution is a board action that creates a nonprofit organization's option to reimburse itself for capital project expenditures made before the issuance of related tax-exempt debt.

Reimbursement Resolution:

A resolution declaring an issuer's official intent to reimburse an original expenditure with proceeds of an obligation. Under federal tax laws, an issuer may reimburse itself with proceeds of tax-exempt bonds for certain expenditures made up to 60 days prior to the date of the reimbursement resolution

Courtesy: Municipal Securities Rulemaking Board's (MSRB) website.

Cash and liquidity often are the weakest credit characteristics of 501(c)3 organizations. The ability to recover long-term capital expenses from the operating budget typically strengthens credit characteristics and makes more money available for the organization's mission.

What obligations do reimbursement resolutions entail?

The resolution does not obligate the organization to anything or anyone. In essence, it says that if the organization completes the project and finances it with tax-exempt debt, then it is the organization's intent to reimburse itself for appropriate expenses under IRS and Treasury rules.

An organization that passes a resolution has the option, but not the obligation, to reimburse itself. An organization that does not pass a resolution forgoes, with few exceptions, the option to reimburse itself.

What else do I need to know?

There are specific requirements for a reimbursement to be treated as a qualified expenditure of bond proceeds (*see below*).

An organization considering a capital project should preserve the option for reimbursement as a prudent course of business. Contact Lancaster Pollard for help with your resolution.

The advice here is general and should not be construed as legal advice.

Expenditure Requirements:

Capital Expenditure:
The project financed must consist of capital expenditures or issuance costs.

Intent:
The resolution is evidence of the organization's intent to reimburse itself for expenditures made prior to the financing.

Reimbursement Period:
The reimbursement must take place within 18 months after the project is "placed in service," and in no event later than 3 years from the date of the expenditure for which the borrower seeks reimbursement.

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