

GUIDE TO SPACEPORT BONDS



WHAT ARE TAX-EXEMPT SPACEPORT BONDS?

Under H.R.-1 (Public Law 119-21), spaceport and space park projects are now eligible for tax-exempt private activity bonds (PABs), similar to how airports have long been financed. These bonds allow state or local governments to issue debt for spaceport and space park infrastructure with interest income exempt from federal taxes for investors. Space parks are included as eligible facilities for tax-exempt bond financing, provided they are located at or near a launch or reentry site.

BENEFITS TO SPACEPORT OPERATORS/DEVELOPERS

Lower Cost of Capital

- Tax-exempt status reduces interest rates, saving millions over the life of the bonds.

No Volume Cap

- Unlike many PABs, spaceport bonds are not subject to federal volume caps, allowing unlimited issuance.

Flexible Use Cases

- Can finance a wide range of facilities: launch pads, control centers, manufacturing hubs, crew transfer stations.

Public-Private Synergy

- Encourages private investment without burdening taxpayers.
- Lease payments from private operators can fund bond repayment.

Economic Development

- Helps attract aerospace companies and high-tech jobs.
- Boosts regional competitiveness in the space economy.

BENEFITS TO BOND BUYERS

Tax-Free Interest

- Investors receive federal tax-exempt interest, and possibly state exemptions depending on jurisdiction.

Long-Term Stability

- Bonds typically have 20–30 year maturities, offering predictable returns.

Municipal Backing

- Bonds are often backed by state or local governments, enhancing creditworthiness.

Strategic Investment

- Supports national priorities in space infrastructure and innovation.

SPACEPORT AND SPACE PARK DEFINITIONS UNDER H.R.-1:

A spaceport is defined as any facility near a launch or reentry site that supports:

- Flight control operations
- Launch and reentry services
- Transfer of crew, participants, or cargo
- Manufacturing, assembly, or repair of spacecraft and related infrastructure

Space park refers to eligible facilities located at or near a launch or reentry site that support space-related activities, such as:

- Spacecraft and cargo manufacturing
- Assembly and repair operations
- Flight control and mission support
- Crew and cargo transfer infrastructure

Space parks are envisioned as multi-use aerospace hubs, often combining public infrastructure with private enterprise, and are eligible for the same financing benefits as spaceports under the bill including exemption from the public use requirement and special treatment for federal lease arrangements.



HOW TO ISSUE AND USE SPACEPORT BONDS

1. Governmental Ownership Requirement

- Assets must be owned by a state or local government, which can lease them to private operators, who pay rent or user fees to cover debt service.
- Federal ground leases to local entities satisfy this requirement.

2. Bond Issuance Process

- Bonds are issued by authorized public entities (e.g., airport authorities, spaceport districts).
- Must comply with TEFRA (Tax Equity and Fiscal Responsibility Act) requirements:
 - Public notice
 - Hearing
 - Approval process

3. Financial Structuring Tips

- Structure leases to meet IRS "safe harbor" rules:
 - Lease term \leq 80% of asset's economic life
 - Fair market value purchase options
 - Waiver of depreciation/tax credit claims by lessee
- Consider public-private partnerships (P3s) to attract private capital and operational expertise.



Key Insights from Barclays & Joint Committee on Taxation

- Barclays projects that spaceport bonds could become a \$20 billion to \$25 billion market by 2034, based on estimates from the congressional Joint Committee on Taxation (JCT).
- This forecast reflects strong anticipated demand for spaceport infrastructure and the attractiveness of tax-exempt financing for both public and private stakeholders.



Strategic Tips for Spaceport Developers

- Engage early with state/local governments to establish ownership or lease structures.
- Identify eligible projects near launch/reentry sites to maximize bond applicability.
- Partner with experienced bond counsel to navigate IRS rules and TEFRA compliance.
- Market the bonds to investors interested in infrastructure, aerospace, and ESG-aligned portfolios.

For More Information Visit...

<https://www.congress.gov/bill/119th-congress/house-bill/1/text>