S T A T E O F T E N N E S S E E
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Opinion No. 07-47

Spending Capital Outlay Note Proceeds under 1996 Tenn. Priv. Acts Ch. 193

QUESTION

1996 Tenn. Priv. Acts Ch. 193 authorizes the Paris Special School District to issue capital outlay notes in a principal amount not to exceed $2,300,000. The notes must mature within twelve years of their dated date. Must the proceeds be spent all at one time, or may they be spent at different times within the twelve-year maturity period?

OPINION

Under the act, the notes may be issued in different principal amounts at different times. The act does not require the proceeds to be spent within any particular time of issuance. Our opinion, however, does not address whether the spending schedule will affect whether the interest on the notes will be subject to federal income tax. This Office does not provide opinions on federal tax law, and the availability of the exemption from federal income tax must be addressed by competent bond counsel, taking into account all the relevant facts and circumstances.

ANALYSIS

This opinion concerns the use of proceeds of capital outlay notes issued by the Paris Special School District under 1996 Tenn. Priv. Acts Ch. 193. Under that act, the Paris Special School District is authorized to issue and sell capital outlay notes in an aggregate principal amount not to exceed $2,300,000, "for the purpose of providing funds for the construction, improvement, renovation, expansion, furnishing, fixturing and equipping of school building and facilities, and additions thereto, in and for the district, including the purchase of all property, real and personal, or interests therein, necessary in connection with said work, or any of the foregoing[.]" 1996 Tenn. Priv. Acts Ch. 193, § 1. Under section 2, the notes must mature no more than twelve years from their dated date. The notes shall be sold "as a whole or in part from time to time in such manner as shall be provided by resolution of the district's Board of School Trustees." *Id.*, § 2.

The question is whether the proceeds from the notes must be spent all at one time, or at different times within the twelve-year maturity period. Under the act, the notes may be issued in different principal amounts at different times. The act does not require the proceeds to be spent within any particular time of issuance. Our opinion, however, does not address whether the spending schedule will affect whether the interest on the notes will be subject to federal income tax.

This Office does not provide opinions on federal tax law, and the availability of the exemption from federal income tax must be addressed by competent bond counsel, taking into account all the relevant facts and circumstances.

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