

Global Project Finance Alert

January 31, 2013

Treasury Grant Sequestration Update

As a result of Taxpayer Relief Act of 2012 (also known as the fiscal cliff legislation), the sequester percentage for Treasury Grants has been reduced from 7.6 percent to 5 percent of the grant amount. The Office of Management and Budget is expected to confirm this change in guidance to be released mid-February.

In addition, the sequester will not apply until the later of (i) March 27, 2013 or (ii) when the final budget authorization is completed by Congress. Further, agencies have up to 120 days from the later of those two dates to implement the sequester. It is important to note that it is up to 120 days, so Treasury could elect to act sooner.

On a less optimistic note, Beltway insiders (including for the first time members of the Obama administration) are starting to acknowledge that sequestration may in fact occur.

To avoid sequestration, Sen. Levin (D-MI) has proposed raising the necessary revenue by eliminating 10 international tax planning techniques (or in his parlance "abuses"). Several of these are used by large U.S. multinationals, like Apple and Microsoft. The proposal is unlikely to pass the House.

Contact Information

If you have any questions regarding this alert, please contact:

David K. Burton

dburton@akingump.com

212.872.1068

New York

Jeffrey D. McMillen

jmcmillen@akingump.com

202.887.4270

Washington, D.C.

Adam S. Umanoff

aumanoff@akingump.com

213.254-1300

Los Angeles

Edward W. Zaelke

ezaelke@akingump.com

213-254-1234

Los Angeles

Jacob J. Worenklein

jworenklein@akingump.com

212.872.1027

New York

Dino E. Barajas

dbarajas@akingump.com

310.552-8613

Los Angeles

Elliot Hinds

ehinds@akingump.com

310.229-1035

Los Angeles