

Tax-Exempt Bonds Compliance Overview

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Outline

- I. Post-Issuance Compliance Overview**
- II. Arbitrage Rebate Compliance**
- III. Private Business Use Compliance**
- IV. Change In Use**

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POST-ISSUANCE COMPLIANCE OVERVIEW

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Mitigation of Risk



- Issuers and borrowers must comply with the federal tax rules for the life of the bond issue (typically 20-30 years)
- Failure to comply with the federal tax requirements could jeopardize the tax-exempt status of those bonds
- Tax problem may delay or derail refunding transaction
- Unexpected cures can be expensive
- May give rise to a disclosure requirement

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Requirements at Closing of Bond Transaction



- Tax form filings
- Reasonable expectations – requirements for issuing the bonds
 - Investment of proceeds
 - Expenditure of proceeds
 - Use of facilities

Why Do These Rules Exist?



- Arbitrage Rebate and Yield Restriction
 - Identify situations in which the issuer improperly increases the subsidy received
- Qualified Use of Proceeds and Bond Finance Property
 - Identify situations in which nonqualified recipients are receiving too much subsidy

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First appeared as part of the conference materials for the
12th Annual Higher Education Taxation Institute session
"Tax-Exempt Bond Compliance Overview"