

# Tax-Exempt Bonds Compliance Overview

Presented by:  
Alan Bond and Sandee Stallings, BLX  
Kirsten Muller, University of Minnesota



1

1

## Outline

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

2

2

---

# POST-ISSUANCE COMPLIANCE OVERVIEW

3

## 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

4

# 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

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

## Title search: Tax-Exempt Bond Compliance Overview

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