

# 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

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- 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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