

Subject: OMB Proposal Clearance Request – Follow-up Summary Report

You recently submitted an OMB clearance request for a Compliance Check Questionnaires that was approved OMB approval number 1545-2071. As a requirement, a summary report to include the information below should be submitted to our office, Special Products Section, Tax Forms & Publications Division, within 60 days after the completion of survey questionnaires. **Please provide a brief summary (1-2 pages/outline format). Do not include tables, graphs, charts, etc., since they are not included in the report to OMB.**

- 1) **OMB #:** 1545-2071
- 2) **Title of Study:** Tax-Exempt Bond Financings Compliance Check Questionnaire
- 3) **Purpose:** To address policies, practices, and recordkeeping of section 501(c)(3) organizations that benefit from tax-exempt bond financing in such key areas as use of proceeds and property, arbitrage, expenditures, and other filings and requirements.
- 4) **Findings:** Almost all (95%) of the responding 501(c)(3) organizations reported that they had implemented written post-issuance compliance procedures or guidelines to ensure continued compliance with applicable federal tax requirements. However, a closer analysis of the narrative responses suggested that on 49% either had written specific procedures (16%) or implemented an ad hoc process (33%) to ensure effective monitoring of post-issuance compliance.

Most (89%) 501(c)(3) organizations reported that they assigned a management official the primary responsibility of monitoring post-issuance compliance and they provided some level of training to these officials. In addition, most 501(c)(3) organizations indicated that they maintained books and records necessary to substantiate compliance, but some are not retaining certain required records on a consistent basis.

- 5) **Actions taken or lessons learned:** While the responding 501(c)(3) organizations largely recognized the importance of effective post-issuance compliance procedures, there may be significant gaps or divergent practices in the implementation of such procedures throughout the charitable financing market segment. Although nearly all respondents reported that they maintained written policies and practices in three key areas of compliance, about half of the respondents failed to describe their written procedures and guidelines despite being asked to do so. Gaps in maintenance of records and written procedures and practices is consistent with our past examination experience of qualified 501(c)(3) bond issues. Inconsistencies in some of the data reported to us warrants additional follow-up, including conducting additional field compliance checks to assess the veracity of data reported to us in the study.

Industry stakeholder associations have shown strong support for the importance of implementing effective post-issuance compliance processes including the use of this compliance check questionnaire to evaluate overall industry compliance

Through increasing use of soft-contact compliance check projects, combined with an on-going partnership with Chief Counsel, Treasury, and the TE/GE Advisory Committee on record retention guidance, we will actively continue to promote post-issuance compliance while exploring opportunities to reduce overall taxpayer burden in the tax-exempt bonds industry.

- 6) **Total Number of requests** (questionnaires sent) **or attempts for taxpayer participation:** 207 questionnaires sent
- 7) **Total Number of questionnaires returned or participants in focus group, etc.:** 203 questionnaires returned
- 8) **Date the data collection began** (date only): 9/7/07
- 9) **Date the data collection ended** (date only): 1/8/08
- 10) **Response Rate:** 98%
- 11) **Actual Burden Hours:** 203 questionnaires returned x 12 hours per questionnaire = 2,436 hours
- 12) **Cost:** N/A

**The above information is needed to prepare a report requested by OMB that explains what was accomplished during the OMB clearance period under which these surveys were approved.** The information you provide should not exceed two pages, if possible. If you have any questions, please contact me at (202) 622-3634 or [Rjoseph.Durbala@irs.gov](mailto:Rjoseph.Durbala@irs.gov).