

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:** Advance Refunding Bonds Compliance Check Questionnaire
- 3) **Purpose:** To identify the overall knowledge of governmental issuers of tax-exempt bonds and 501(c)(3) organizations (“Project Participants”) that utilize tax-exempt financing relating to the federal tax requirements imposed on advance refunding transactions. The requirements include those found in section 149(d) of the Code for advance refundings as well as other applicable requirements.
- 4) **Findings:** The project addressed policies, practices, and recordkeeping of respondents that benefited from tax-exempt advance refunding bonds during the Target Period (7/1/2009 to and including 6/30/2010). The project focused on such key areas as debt management, use of proceeds, arbitrage, record retention practices and post-issuance procedures.

Almost all of the respondents (94%) indicated that they rely on the advice of outside financial advisors or underwriters to identify potential advance refunding candidates.

Almost all (95%) of the respondents reported that they have procedures in place to review their bond transactions to identify possible federal tax noncompliance prior to structuring any advance refunding. Respondents that responded in the affirmative to having procedures to assure advance refunding bonds were permitted and any possible restrictions identified overwhelmingly (98%) identified their bond counsel as the person responsible for this review.

Almost all (97%) of the respondents indicated that they maintained books and records necessary to substantiate compliance of their refunded as well as their refunding bonds.

Only 41% of the respondents reported that they had implemented written compliance procedures or guidelines to ensure continued compliance with various applicable federal tax requirements related to their advance refunding bonds after the issuance of the bonds. Only 42% of the respondents reported that they had

implemented written compliance procedures or guidelines to ensure continued compliance with various applicable federal tax requirements related to the refunded bonds that could affect the advance refunding bonds.

- 5) **Actions taken or lessons learned:** The majority of respondents recognized the importance of effective compliance procedures related to advance refunding bonds. Additionally, the respondents indicated reliance on outside financial advisors and bond counsel. However, the responses indicate gaps or divergent practices in the implementation of such compliance procedures. Gaps in record maintenance, written procedures, and compliance practice is consistent with our past examination experience related to tax-exempt bond issues and may increase risk of noncompliance. Our examination experience suggests that the adoption and consistent utilization of procedures and practices generally improves the likelihood of compliance.
- 6) **Total Number of requests** (questionnaires sent) **or attempts for taxpayer participation:** 300
- 7) **Total Number of questionnaires returned or participants in focus group, etc.:** 294
- 8) **Date the data collection began** (date only): 5/27/2011
- 9) **Date the data collection ended** (date only): 8/2011
- 10) **Response Rate:** 98%
- 11) **Actual Burden Hours: Need Burden Hours:** (Estimated 14 hours by 294 responses) Estimated total of 4,116 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.