

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:** Direct Pay Bonds Compliance Check Questionnaire
- 3) **Purpose:** Evaluate the policies, procedures, and practices of issuers of direct pay bonds regarding at-issuance and post-issuance compliance, with specific focus on compliance monitoring and recordkeeping practices with respect to special rules applicable to direct pay bonds, as well as questions on arbitrage compliance.
- 4) **Findings:** Almost 70% of respondents indicated they have written procedures to ensure compliance with limitations on premium. Roughly 80% of respondents indicated they have procedures to ensure compliance with arbitrage requirements (81%), use of proceeds requirements (79%), and requirements related to determining (79%) and filing (81%) requests for refundable credits. Over 63% of respondents indicated they have written procedures to timely identify violations of federal tax requirements and to correct in a timely manner identified violations using permitted remedial actions or voluntary closing agreement programs. Over 94% of respondents indicated they have procedures for record retention for the life of bonds plus 3 years or more.

The narrative responses did not always support the numerical responses. For example, responses indicated that issuers believe bond documents contain a greater focus on post-issuance compliance than may be actually present. Additionally, analysis of narrative responses suggested that substantial numbers of respondents may have adopted certain procedures, or gained awareness of certain compliance requirements, referred to in the questionnaire in response to receipt of the questionnaire.

- 5) **Actions taken or lessons learned:** While the respondents reported high levels of at-issuance and post-issuance compliance procedures, there may be gaps or divergent practices in implementation of procedures. For example, the responses indicate that issuers place significant reliance on third parties, including in circumstances where information is publicly available and where a third party's undertaking to ensure compliance with a requirement is uncertain.

This suggests an opportunity to promote compliance through increased awareness among issuers. TEB will continue to seek opportunities to promote compliance through awareness and customer education.

Additionally, the narrative responses indicate that issuers may believe that bond documents contain a greater focus on post-issuance compliance than is actually present. This data suggests that issuers view bond documents as including more substantive compliance procedures than was indicated by analysis.

Finally, the data relating to compliance monitoring in connection with requests for refundable credit payments (by filing Form 8038-CP) suggests that ongoing filing requirements promote the establishment and diligent implementation of compliance procedures.

- 6) **Total Number of requests** (questionnaires sent) **or attempts for taxpayer participation:** 373
- 7) **Total Number of questionnaires returned or participants in focus group, etc.:** 293
- 8) **Date the data collection began** (date only): February 2010
- 9) **Date the data collection ended** (date only): June 2010
- 10) **Response Rate:** 78%
- 11) **Actual Burden Hours:** (Estimated 7 hours by 293 responses) Estimated 2,051 total 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.