

SUPPORTING STATEMENT
Internal Revenue Service
Proceeds of Bonds Used for Reimbursement
FI-59-89 (Final- TD 8394)
OMB No. 1545-1226

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

For purposes of sections 103 and 141-150 of the Code, these regulations clarify when the allocation of bond proceeds to reimburse expenditures previously made by an issuer of the bond is treated as an expenditure of the bond proceeds.

When bond proceeds are "spent," they are no longer subject to arbitrage rebate, arbitrage yield limitations, and certain other restrictions imposed by the Code. Because the applicability of many restrictions and requirements imposed by the Code ceases when bond proceeds are spent, it is essential to the proper administration of sections 103 and 141-150 to define what constitutes an expenditure of bond proceeds.

Under these regulations, the issuer must express a reasonable official intent to reimburse the expenditure. The purposes of the official intent requirement are to provide evidence that, on or prior to the date of payment, the issuer intended to reimburse the expenditure and to assure that the reimbursement is not a device to evade requirements imposed by the Code with respect to tax-exempt bonds. Generally, the recordkeeping requirement can be satisfied by any official expression such as a resolution, ordinance, declaration by or on behalf of the issuer, or specific legislative authorization for the issuance of obligations for a particular project.

2. USE OF DATA

The purpose of the official intent requirement is to provide evidence that, on or prior to the date of payment, the issuer intended to reimburse the expenditure and to assure that the reimbursement is not a device to evade requirements imposed by the Code with respect to tax-exempt bonds.

Because an issuer retains control of bond proceeds after a reimbursement allocation, potential for abuse exists unless recognition of these allocations for federal income tax purposes is limited to allocations identified through the required official intent.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS publication, regulations, notices and letters are to be electronically enabled on an as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

It is expected that the burden on small government entities will be significantly lower than that on larger governments. This collection requirement only applies to expenditures that a state or local government intends to reimburse with the proceeds of tax-exempt bonds. Generally, smaller government entities issue fewer bond issues than larger governments and have a smaller number of expenditures overall. The percentage of the expenditures that a small government entity could afford in anticipation of reimbursement by bond proceeds is likely even a small proportion than that for larger governments.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

Less frequent collection would result in not ensuring that the bond proceeds will be accounted for in accordance with the proposed reimbursement of expenditures.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

We received no comments during the comment period in response to the *Federal Register* notice dated November 21, 2019 (84 FR 64409).

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift has been provided to any respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

The taxpayers affected are states and political subdivisions that issue bonds, entities that issue bonds on behalf of states or political subdivisions, and certain entities that are authorized to borrow the bond proceeds. The requirement is a recordkeeping requirement; thus, the information is not filed with the IRS as a matter of course and will remain under the control of the affected parties until requested by the IRS for inspection.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

No personally identifiable information (PII) is collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The collection of information in this regulation is in §1.150-2(e). This information will be used to verify that a tax-exempt bond issuer is properly allocating bond proceeds for reimbursement purposes. The taxpayers affected are states and political subdivisions that issue bonds, entities that issue bonds on behalf of states or political subdivisions and certain entities that are authorized to borrow the bond proceeds.

The collection was originally contained in §1.103-18(c), but that section was removed by TD 8476, which was published 58 FR 33510 (June 18, 1993). TD 8476 also added §1.150-2, which contains the subject matter and information collection previously contained in §1.103-18(c). Thus, TD 8476 moved the reimbursement provisions from §1.103-18 to §1.150-2. The burden was not changed by this move.

The burden estimate is as follows:

TD	Number of Recordkeepers (Responses)	Estimated Average Annual burden/per/recordkeepers (Time/per/Response)	Total Annual Recordkeeping Burden Hours
TD 8392	2500	2.4 hours	6000

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There were no estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services provided to respondents.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There is no annualized cost to the federal government.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB.

We are making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS

INAPPROPRIATE

We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulation sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.

Note: The following paragraph applies to all of the collections of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.