Supporting Statement

Internal Revenue Service
Proceeds of Bonds Used for Reimbursement
OMB Control Number 1545-1226

1. **CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Internal Revenue Code (IRC), sections 103 and 141-150 of the IRC 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 IRC. 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 IRC sections 103 and 141-150 to define what constitutes an expenditure of bond proceeds.

Under these regulations, the issuer must 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 IRC 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.

26 CFR 150-2, a set of regulations that clarify rules regarding the use of proceeds from tax-exempt bonds to reimburse issuers for expenditures previously made.

2. **USE OF DATA**

The Internal Revenue Service (IRS) uses the information collected 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 IRC with respect to tax-exempt bonds.

3. **USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

IRS has no plans to offer electronic filing as these are recordkeeping requirements only.

4. **EFFORTS TO IDENTIFY DUPLICATION**

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

5. **<u>METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES</u>**

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. **<u>CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES</u>**

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. **<u>SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)</u>**

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

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

We received no comments during the comment period in response to the Federal Register notice (91 FR 6288), dated February 11, 2026.

9. **<u>EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS</u>**

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.

Generally, tax returns and tax return information are confidential as required by 26 U.S.C. 6103.

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 burden estimate is as follows:

Authority	Description	# of Respondents	# of Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC §§ 103, & 141-150	26 CFR 1.150-2	2,500	1	2,500	2.4	6,000
Totals		2,500		2,500		6,000

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

From our Federal Register notice, dated February 11, 2026, no public comments on the estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information were received. The IRS does not anticipate any annual cost burden outside of hourly burden to compile information kept as part of customary and usual business practices to complete the applications.

The IRS currently estimates the cost burden on respondents to be nominal. There are no start-up or maintenance costs for this collection. The collection does not require respondents to obtain specialized equipment or professional services.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There is no cost to the Federal government as this is recordkeeping requirement.

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

The IRS believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the collection expires as of the expiration date. Taxpayers are not likely to be aware that the IRS intends to request renewal of 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 for this collection.