

# Arbitrage Rebate

▶ **Under Sections 143(g)(3) and 148(f) [and sections 103(c)(6)(D) and 103A(i)(4) of the Internal Revenue Code of 1954]**

## Part I Reporting Authority

<b>1</b> Issuer's name	<b>2</b> Issuer's employer identification number
<b>3</b> Number and street	<b>4</b> Report number
<b>5</b> City or town, state, and ZIP code	<b>6</b> Date of issue
<b>7</b> Name of issue	<b>8</b> CUSIP number

## Part II Description of Rebate

**9** Type of issue ▶ .....

**10** Check this box if Form 8038, Form 8038-G, or Form 8038-GC was not filed for this issue ▶

**11** Amount of rebate being paid with this form . . . . . ▶ \$ \_\_\_\_\_

**12** Period to which payment relates ▶ From: Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_ To: Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**13** Amount of rebate previously paid with respect to this issue . . . . . ▶ \$ \_\_\_\_\_

**14** Date last Form 8038-T was filed for this issue . . . . . ▶ Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

## Part III Elections by the Issuer (see instructions)

Please check the "Yes" or "No" box for each question.		Yes	No
<b>15</b>	Did you "elect in"? (See instructions) . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
<b>16</b>	Did you elect to treat a transitioned variable yield issue as a fixed yield issue? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
<b>17</b>	Did you make a bond year election? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
<b>18</b>	Did you elect to treat a variable yield bond that is not a tender bond as a fixed yield bond after it converted to a fixed rate?	<input type="checkbox"/>	<input type="checkbox"/>
<b>19</b>	Did you elect to continue treating an issue as a variable yield issue after all the bonds in the issue converted to a fixed rate?	<input type="checkbox"/>	<input type="checkbox"/>
<b>20</b>	Did you elect to recompute the yield on an eligible small issue? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
<b>21</b>	Did you elect to recompute the yield on a transitioned fixed yield issue? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>

**Please sign here**

Under penalties of perjury, I declare that I have examined this return, and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

▶ _____ Signature of officer	_____ Date	_____ Type or print name and title
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**Paperwork Reduction Act Notice**

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** . . . . . 4 hrs., 47 min.
- Learning about the law or the form** . . . . . 1 hr., 41 min.
- Preparing, copying, assembling, and sending the form to IRS** . . . . . 1 hr., 50 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; or the

**Office of Management and Budget,**  
Paperwork Reduction Project (1545-0720),  
Washington, DC 20503.

**General Instructions**

**Use a separate Form 8038-T for each issue.**

*(Section references are to the Internal Revenue Code of 1986 unless otherwise noted.)*

**Purpose of Form**

Form 8038-T is to be used when paying the arbitrage rebate to the United States.

Under section 148(f), interest on a state or local bond is not tax-exempt unless the issuer of the bond rebates to the United States arbitrage profits earned from investing proceeds of the bond in higher yielding nonpurpose investments.

**Caution:** *At the time this form went to print, there was pending legislation that would expand the exception for temporary*

*investments under section 148(f)(4)(B). IRS will issue further guidance if this legislation becomes law.*

**Exceptions.**—There is no rebate requirement under section 148(f) if:

1. The exception for temporary investments under section 148 (f)(4)(B) applies; or
2. The exception for governmental units issuing \$5,000,000 or less of bonds under section 148(f)(4)(C) applies.

In addition to these two exceptions, the rebate requirement generally does not apply to bond proceeds that are invested in certain tax-exempt bonds, certain tax-exempt mutual funds, or certain demand deposit securities purchased directly from the United States Treasury.

**Caution:** *At the time this form went to print, there was pending legislation that would permit the rebate election for certain qualified mortgage bonds to be made after the bonds are issued. IRS will issue further guidance if this legislation becomes law.*

**Qualified Mortgage Bonds and Qualified Veterans' Mortgage Bonds.**—Section 143(g)(3) and section 103A(i)(4) of the 1954 Code provide the arbitrage rebate rules for qualified mortgage bonds issued before January 1, 1989, and qualified veterans' mortgage bonds issued after August 15, 1986. Under these special rules, issuers may pay the rebate either to mortgagors, or if an election is made before issuance of the bond, to the United States. Use this form only if you have elected to pay the rebate to the United States.

**Industrial Development Bonds.**—Obligations that are part of an issue of industrial development bonds issued before January 1, 1986 (other than housing obligations described in section 103(b)(4)(A) of the 1954 Code or section 11(b) of the Housing Act of 1937) are subject to the rebate requirements of section 103(c)(6)(D) of the 1954 Code. However, see line 15 and related instructions.

**Computation of Arbitrage Rebate.**—The amount of the rebatable arbitrage is: (1) The excess of the amount earned on all nonpurpose investments, over the amount which would have been earned if the nonpurpose investments were invested at a rate equal to the bond yield; plus (2) Any income attributable to the excess described in (1) above.

Detailed rules for computing the arbitrage rebate for bonds subject to section 148(f) are set forth in Temporary Regulations sections 1.148-1T through 1.148-8T. Detailed rules for computing the arbitrage rebate for bonds subject to section 143(g)(3) or section 103A(i)(4) of the 1954 Code are set forth in Temp. Regs. section 6a.103A-2(i)(4). Detailed rules for computing the arbitrage rebate for bonds subject to section 103(c)(6)(D) of the 1954 Code are set forth in Temp. Regs. section 1.103-15AT. However, see line 15 and related instructions.

### Who Must File

Issuers of tax-exempt bonds paying the arbitrage rebate to the United States under section 143(g)(3), section 148(f), or the corresponding provisions of the 1954 Code, must file Form 8038-T. Payments may be made by a person acting on behalf of the issuer for bonds subject to section 103(c)(6)(D) of the 1954 Code.

### When To File

File Form 8038-T when paying the arbitrage rebate to the United States. Under section 148(f), the installments are due 60 days after the end of every fifth bond year during the term of the issue. Each installment must be at least 90% of the rebatable arbitrage as of the computation date (i.e., the final of the five-year period). The final installment is due 60 days after the date the last bond of the issue is discharged, and must be all of the rebatable arbitrage as of this last computation date, plus any income attributable to the rebatable arbitrage. See section 143(g)(3) and section 103A(i)(4) of the 1954 Code for rules concerning

qualified mortgage bonds and qualified veterans' mortgage bonds. See Temp. Regs. section 1.103-15AT(e) for rules concerning industrial development bonds.

### Where To File

File Form 8038-T with the Internal Revenue Service Center, Philadelphia, PA 19255.

## Specific Instructions

### Part I.—Reporting Authority

**Line 1.**—Enter the name of the governmental entity that issued the bonds, not the name of the entity receiving the benefit of the financing.

**Line 4—Report number.**—Enter the report number from the **Form 8038**, Information Return for Tax-Exempt Private Activity Bond Issues, or **Form 8038-G**, Information Return for Tax-Exempt Governmental Obligations, on which you reported this issue. If you reported this issue on **Form 8038-GC**, Consolidated Information Return for Small Tax-Exempt Governmental Bond Issues, Leases and Installment Sales, enter "GC" followed by the calendar year for which Form 8038-GC was filed (e.g., GC1987).

**Note:** If you did not file a Form 8038, 8038-G, or 8038-GC, leave this line blank and check the box on line 10.

**Line 6—Date of issue.**—Enter the date of issue. This is generally the first date on which there is a physical exchange of the bonds for the purchase price.

**Line 7—Name of issue.**—Enter the name of the issue. If there is no name, please provide other identification of the issue.

**Line 8—CUSIP number.**—Enter the CUSIP (Committee on Uniform Securities Identification Procedures) number of the bond with the latest maturity. If the issue does not have a CUSIP number, enter "none."

### Part II.—Description of Rebate

**Line 9—Type of issue.**—Enter the type of issue that was checked for this issue on Form 8038 or Form 8038-G. For bonds previously reported on Form 8038-GC, enter "Small Governmental Bond."

**Line 11.**—Attach a check or money order made payable to the Internal Revenue Service.

**Line 12.**—Enter the period of time to which this rebate payment relates.

**Line 13.**—Enter the total of all previous rebate payments made with respect to this issue.

**Line 14.**—Enter the date the previous Form 8038-T was filed for this issue.

### Part III.—Elections

This part applies only if the bonds are subject to the requirements of Temp. Regs. sections 1.148-1T through 1.148-8T.

Any election with respect to an issue must be in writing and must be made on or before the later of: (1) The date of issue;

and (2) If the issue is issued on or before November 15, 1989, the first date after June 14, 1989, that any amount with respect to the issue is paid or required to be paid to the United States. Generally, an election, once made, is irrevocable. See Temp. Regs. section 1.148-8T(h).

**Line 15.**—This election applies to a bond to which section 103(c)(6)(D) of the 1954 Code applies. You may elect to apply the rules in Temp. Regs. sections 1.148-1T through 1.148-8T for purposes of determining whether the bond complies with section 103(c)(6)(D) of the 1954 Code. Unless you make this election, the rules in Temp. Regs. section 1.103-15AT will apply. See Temp. Regs. section 1.148-0T(b)(2)(ii)(C).

**Line 16.**—You may elect to treat any variable yield issue sold on or before May 15, 1989, and issued on or before June 14, 1989, as a fixed yield issue. If you make this election, the yield on the issue is computed over the term of the issue rather than period-by-period. See Temp. Regs. section 1.148-3T(b)(1)(ii).

**Line 17.**—You may elect to treat the last day of any bond year on a variable yield issue as a computation date. If you make this election, the yield on the issue may be computed for periods shorter than five years. This election is revocable under certain conditions. See Temp. Regs. section 1.148-3T(b)(2)(ii)(B).

**Line 18.**—If you make this election, a variable yield bond that is not a tender bond is treated as a fixed yield bond after the close of business on the first day the bond would be a fixed yield bond if issued immediately after the close of business on that day. See Temp. Regs. section 1.148-3T(b)(3)(i).

**Line 19.**—If you make this election, a variable yield issue that has been converted to a fixed yield issue will continue to be treated as a variable yield issue. See Temp. Regs. section 1.148-3T(b)(3)(ii).

**Line 20.**—If you make this election, you may recompute the yield on eligible small fixed yield issues on each computation date for your rebate computations. Otherwise, you must use the yield computed as of the issue date for all your rebate computations. See Temp. Regs. section 1.148-3T(c)(4)(i).

**Line 21.**—You may elect to recompute the yield on certain fixed yield issues sold on or before May 15, 1989, and issued on or before June 14, 1989. Otherwise, you must use the yield computed as of the issue date for such purposes. See Temp. Regs. section 1.148-3T(c)(5).

### Signature

Form 8038-T must be signed by an authorized representative of the issuer. Also print the name and title of the person signing Form 8038-T.