

Internal Revenue Service

Tax Exempt & Government Entities Division

Tax Exempt Bonds- Advance Refunding Compliance Check

SE:T:GE:TEB:CPM

1122 Town & Country Commons

Chesterfield, Mo. 63017

Department of the Treasury**Date:****Person to Contact:****Employee ID Number:****Contact Telephone Number:****Response Due Date:****Dear Sir or Madam,**

We are conducting a compliance check of your advance refunding bonds as part of our ongoing efforts to promote voluntary compliance with federal tax requirements applicable to advance refunding bond issuers and conduit borrowers. As more fully described below, we are asking you to complete the enclosed compliance check questionnaire about your advance refunding bonds and your post-issuance compliance practices.

What is a Compliance Check?

This letter constitutes a compliance check. A compliance check is neither an audit or an investigation under section 7605(b) of the Internal Revenue Code (the "Code") nor an audit under section 530 of the Revenue Act of 1978. A compliance check is a review by the IRS to determine adherence to certain requirements. This is not a review of an organization's books and records. We have enclosed Publication 4386, *Compliance Checks*, which answers some frequently asked questions about compliance checks.

General Information and Continued Compliance

A refunding bond issue is a bond issue the proceeds of which are used to pay principal, interest or redemption price on a prior issue of bonds also referred to as the "refunded bonds." Advance refunding bonds are refunding bonds issued more than 90 days before the final payment of principal and interest on the refunded bonds. Refunding bonds derive their tax-exempt status from the tax-exempt status of the refunded bonds. A refunding bond issue will generally not be tax-exempt if the refunded bond issue was not in full compliance with all applicable federal tax law requirements.

The tax-advantaged status of advance refunding bonds remains throughout the life of the bonds if all applicable federal tax laws are satisfied while the bonds are outstanding. Various requirements apply under the Code and Income Tax Regulations including information filing and other requirements related to issuance, the proper and timely use of bond proceeds, proper use of the bond-financed property, and arbitrage yield restriction and rebate requirements.

To comply with these and any other applicable federal tax requirements, issuers and conduit borrowers of advance refunding bonds must ensure that the prior bond issue, as well as the bonds issued to refund the prior bond issue, meet applicable federal tax requirements both at the time the bonds are issued and throughout the term of the bonds. Generally, this includes the continued maintenance of records sufficient to establish compliance with all applicable federal tax requirements for both prior issues and advance refunding bonds.

What You Need To Do

Please complete the enclosed Form 14246, *Advance Refunding Bonds Compliance Check Questionnaire*, and follow the instructions below for sending the questionnaire to us.

How To Send The Information To Us

Attach a copy of this letter to the front of the requested information, and send the information to us, by the Response Due Date indicated above, using one of the following methods:

- Mail your reply to the address shown in the heading of this letter.
- Email your reply (in PDF format) or questions to teb.cpm@irs.gov and indicate "Advance Refunding Bonds Questionnaire" in the subject line. Be sure to include your name, telephone number and the best time to reach you as we will be replying to your questions by telephone. Note: This email address is for replies or questions related to this letter only, we cannot respond to other information or questions.

Failure to use the above mailing address or email address may result in processing delays. If an addressee fails to reply by the Response Due Date indicated above, we may forward one or more of the addressees' advance refunding bond issues for examination consideration.

In the spaces below, please provide an official's name, title, telephone number and most convenient time for us to call should we need to speak with someone regarding your advance refunding bond issues.

Name of official: _____

Title: _____

Telephone Number: _____

Convenient Time for us to call: _____

More Information

Through our website at www.irs.gov/bonds you can access materials relating to advance refunding bonds which provides an overview of the federal tax rules and filing requirements applicable to all tax-exempt bonds. You can find answers to frequently asked questions about record retention requirements under "Frequently Asked Questions About Tax Exempt Bonds." In addition, you will find an article entitled, "After the Bonds are Issued: Then What?" in Publication 4344, *Report of Recommendations Advisory Committee on TE/GE*, intended for government officials in developing policies, procedures and systems to ensure that your bonds remain tax-exempt.

If you have any questions about this letter, you can contact the person named in the heading or email your questions to the address shown under How To Send The Information To Us.

Thank you for your cooperation.

Sincerely,

Steven A. Chamberlin
Manager, Tax Exempt Bonds
Compliance & Program Management

Enclosures:
Form 14246
Publication 4386