

Internal Revenue Service
Tax Exempt & Government Entities Division
1122 Town & Country Commons
Chesterfield, Mo. 63017

Department of the Treasury

Date:
XXXXXX XX, 2012
Person to Contact:

Employee ID Number:

Contact Telephone Number:

Contact Address:

Dear Sir or Madam,

We are sending you this letter as part of our ongoing efforts to promote voluntary compliance with federal tax requirements applicable to issuers and conduit borrowers of tax-advantaged bonds, including tax-exempt and tax credit bonds. As more fully described below, we are asking you to consider whether any actions you, or any conduit borrower, have taken with respect to tax-advantaged bonds caused a reissuance for federal tax purposes. This letter is for educational purposes and is neither an audit nor an investigation under the Internal Revenue Code (the "Code").

What is a reissuance?

Generally, a reissuance occurs under federal tax law when there are significant modifications to the terms of a bond so that the bond ceases to be the same bond for federal tax purposes. A reissuance is a deemed exchange of the modified bond for the original bond. The reissuance rules apply to all tax-advantaged obligations from a large bond issue to a small lease entered into to purchase police cars and other equipment as well as a note held by a local bank.

How does a reissuance affect bonds?

Reissuance of a tax-advantaged bond generally triggers retesting of all the various federal tax requirements.

What types of modifications cause a reissuance?

A modification must be "significant" to cause a reissuance. Examples of significant modifications are large changes in interest rates and long deferrals of scheduled payments. A brief description of seven specific types of modifications that are considered significant is contained in the TEB Financial Restructuring Compliance link on TEB's website, www.irs.gov/bonds, in the article "Reissuance of Tax Exempt Obligations: Some Basic Concepts." The TEB Financial Restructuring Compliance link also contains additional educational materials to help you understand the causes and consequences of reissuance. These materials are not to be relied on as legal authority. The Code and Regulations sections applicable to reissuance are complex and we encourage issuers and conduit borrowers to consult their bond counsel before restructuring their bonds.

What types of federal tax consequences might a reissuance cause?

Among the consequences a reissuance can cause are: a change in yield that would affect arbitrage investment restrictions, a need for volume cap authority, acceleration of rebate payments, and the need to file a new information return.

What you need to do if you have a reissuance.

A reissuance of tax-advantaged bonds does not always result in a violation of federal tax laws. However, if after review of the educational materials and consultation with bond counsel you or any conduit borrower discover that a violation of the tax laws related to reissuance has occurred, you are encouraged to take advantage of our office's Voluntary Closing Agreement Program ("VCAP") (click the link for "TEB Voluntary Compliance" at www.irs.gov/bonds). This program is intended to provide a vehicle to correct violations in an expeditious and user-friendly manner.

More information.

We invite you to visit our website at www.irs.gov/bonds for an overview of the federal tax rules relating to tax-advantaged bonds. You will find among these resources, under the link to "TEB Customer Resources," an article entitled, "After the Bonds are Issued: Then What?"

Other educational articles are located on the "TEB Voluntary Compliance" page of our website. These articles contain sections with links to: Post-Issuance Compliance, Self Correction, Private Letter Rulings, VCAP Administrative Procedures and VCAP Resolution Standards. TEB regularly updates its website to keep you posted on current developments including a link to "TEB Published Guidance," "TEB Forms and Publications" and revised Internal Revenue Manual provisions relating to tax-advantaged bonds. These resources are intended to assist government officials in developing policies, procedures and systems to ensure that your bonds remain tax-advantaged.

If you have any questions about this letter, you can contact the person named in the heading or email your questions to teb.cpm@irs.gov and indicate "Reissuance Letter" in the subject line. Be sure to include your name, telephone number and the best time to reach you, as we may reply to your questions by telephone. Note: This email address is for questions related to this letter only, we cannot respond to other information or questions at this e-mail address.

This letter is for educational purposes and does not require you to take any specific action.

Sincerely,

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