

# TEB Phase I - Lesson 1

## Overview of Phase I

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**Purpose** This lesson is an overview of the topics covered during your Phase I training.

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**Contents** This lesson contains the following topics:

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## Overview of Lesson 2 – Introduction to the Deskbook

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### **Lesson 2**

Lesson 2 provides an overview of the structure of the Internal Revenue Code (Code or IRC), focusing on the principal IRC sections related to tax-advantaged bonds.

After a brief review of legal research methods and resources, Lesson 2 describes the statutory structure of relevant Code sections and an example of one analytical framework that you might use in approaching the Code with respect to legal questions related to tax-advantaged bonds.

Lesson 2 identifies relevant Code sections in the Federal Taxation of Municipal Bonds Deskbook so you become familiar with the resources available in the Deskbook.

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## Overview of Lesson 3 – Valid Issuer Valid Debt

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### Lesson 3

Lesson 3 explains the legal analysis used to determine whether the issuer is an eligible issuer of tax-advantaged bonds (valid issuer) and whether the debt has the characteristics necessary for it to be eligible to qualify as tax-advantaged debt (valid debt).

Lesson 3 discusses the types of entities that are eligible to issue tax-exempt debt, the definitions of police power, taxing power and eminent domain, how to identify the two types of “on behalf of issuers,” and the characteristics an obligation must have to be treated as debt for purposes of IRC § 103.

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## Overview of Lesson 4 – Governmental Bonds

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### Lesson 4

Lesson 4 defines governmental bonds and private activity bonds, and explains how to distinguish one from the other by applying the following tests:

- Private business use test
  - Private security or payment test
  - Private loan financing test
  - Unrelated or disproportionate use test
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## Overview of Lesson 5 – Arbitrage and Rebate

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### Lesson 5

Lesson 5 defines arbitrage and how to determine whether a bond is an arbitrage bond.

This lesson also explains various concepts, statutory provisions, and regulations that restrict the earning of arbitrage on investments of proceeds of bonds.

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## Overview of Lesson 6 – Proceeds and Allocations

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### **Lesson 6**

Lesson 6 discusses the applicable regulations used to determine what constitutes the "proceeds" (net proceeds, gross proceeds and other variations of proceeds) of a bond issue.

Lesson 6 explains the rules on the allocation of bonds to those proceeds and to the purposes to which the proceeds are allocated to determine if the allocation rules are being applied correctly by the issuer.

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## Overview of Lesson 7 – Change In Use

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### **Lesson 7**

Lesson 7 discusses post-issuance events and how they can affect the tax exempt status of the bonds. It explains how to examine situations where there has been a change in the original use of the proceeds, including how to determine whether the bonds continue to be eligible for tax exemption without further action.

Lesson 7 also describes actions the issuer may take to retain the tax exemption for the bonds if inaction is not appropriate.

Lesson 7 covers certain rules that may cause the loss of other tax benefits in addition to the loss of tax exemption when a change in use of the bond proceeds occurs.

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# Overview of Lesson 8 – Section 149 Rules Applicable to All Tax-Exempt Bonds

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**Lesson 8**

Lesson 8 discusses § 149 provisions and how they apply to all tax-exempt bonds. It explains registration and information reporting obligations, prohibitions against federal guarantees and conditions for advance refunding bonds, pooled bonds and hedge bonds.

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## Overview of Lesson 9 – Section 150 Definitions and Special Rules

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### Lesson 9

Lesson 9 describes the special rules contained in § 150 and explains how to apply the definitions found in § 150(a) to various tax-exempt bond transactions. It discusses other topics contained in § 150 such as “change in use,” qualified scholarship funding bonds, and qualified volunteer fire department bonds. It also provides cross-references to enable you to find these topics elsewhere in the training materials.

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## Overview of Lesson 10 – Build America Bonds

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### **Lesson 10**

Lesson 10 covers the general requirement for and the characteristics of all Build America Bonds. It also explains how to distinguish Build America Bonds (Direct Pay) from Build America Bonds (Tax Credit) and Recovery Zone Economic Development Bonds.

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## Overview of Lesson 11 – Introduction to Qualified Private Activity Bonds

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### Lesson 11

Lesson 11 discusses private activity bonds as described in § 141. It defines “private activity bonds” and describes the tests for distinguishing governmental bonds from private activity bonds.

Lesson 11 also examines those private activity bonds used to finance certain activities that are considered to be “qualified” private activity bonds, thus permitting exclusion of the interest to holders of the bonds.

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## Overview of Lesson 12 – Section 145 Qualified 501(c)(3) Bonds

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### Lesson 12

Lesson 12 discusses qualified 501(c)(3) bonds as described in IRC § 145.

It defines “qualified hospital bond” and describes the test for determining whether non-hospital bonds meet the \$150 million volume cap.

Lesson 12 explains how to determine whether bonds used for residential rental property are qualified 501(c)(3) bonds.

Lesson 12 also discusses the private activity bond rules of other Code sections which apply to qualified 501(c)(3) bonds.

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## Overview of Lesson 13 – Bank Qualified Bonds – Section 265

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### **Lesson 13**

Lesson 13 introduces the requirements of qualified tax-exempt obligations, also known as bank qualified bonds. It defines the general rules for interest expense disallowance on tax-exempt indebtedness, describes the exception for qualified tax-exempt obligations, and discusses the TEFRA rule related to qualified tax-exempt bonds.

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