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**From:** [REDACTED]  
**Sent:** Friday, March 24, 2017 4:14:02 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Bcc:**  
**Subject:** RE: Disclosure question - tax-exempt bonds

Hi

Your office has asked us to advise on several disclosure questions regarding the manner in which the Office of Tax-Exempt Bonds (TEB) may seek to identify bondholders and communicate with bondholders during an examination of an issuer of bonds to determine whether the bonds are tax-exempt.

Section 6103(a) provides that tax returns and return information are confidential and may not be disclosed except as expressly authorized in the Internal Revenue Code (IRC). Return information is defined broadly under section 6103(b)(2) and includes whether a taxpayer was, is being, or will be the subject of an examination, as well as any data which is collected by the IRS with respect to a return or with respect to the determination of the existence or possible existence of liability or the amount of liability under the IRC. The existence of an examination of an issuer of bonds and the information collected by TEB regarding the tax-exempt status of the bonds is the return information of both the bond issuer and the bondholders. A bondholder's notice of deficiency, and any other information collected during the examination of an individual bondholder, is the return information solely of the affected bondholder.

Section 6103(k)(6) authorizes an IRS employee to disclose return information to the extent that such disclosure is necessary in obtaining information, which is not otherwise readily available, with respect to the determination of tax liability under the IRC. When an issuer of bonds is under examination, TEB must identify the bondholders because it is the bondholders who are liable for the tax on the interest received on the bonds. Section 6103(k)(6), therefore, may serve as a basis for TEB to contact third party intermediaries for bondholder lists. When contacting these third parties, TEB may disclose return information only as necessary and only if the identities of the bondholders are not otherwise readily available. Disclosing the status of the examination of the bonds or information collected during the examination, however, is clearly outside the scope of section 6103(k)(6). Also, whether TEB contacts a person for investigative purposes before or after TEB reaches a final determination in the

examination of the bonds does not have an impact on the section 6103(k)(6) disclosure analysis.

You have also asked us to advise whether, and to what extent, TEB may use third party intermediaries as conduits for one-way communications from TEB to the bondholders. As discussed above, TEB may disclose return information, as necessary, to third party intermediaries to obtain a bondholder list if that information is not otherwise readily available. Absent consent under section 6103(c) from the bond issuer or bondholders, however, TEB may not disclose the existence of an examination or other return information to third party intermediaries as a conduit for one-way communications to the bondholders.

Lastly, you have asked us whether TEB is prevented under section 6103 from disclosing certain information about the examination of the bonds to inquiring bondholders. TEB is not prevented under section 6103 from confirming the existence or status of the examination, or from providing other information collected during the examination, because the information collected by TEB regarding the tax-exempt status of the bonds is the return information of both the bond issuer and the bondholders.

Thanks,