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[John] My name is John Blakley, and I'm a tax law specialist in compliance and program management, in the tax exempt bonds office of the Internal Revenue Service, the IRS.

We welcome you and appreciate you taking the time to listen to this Internal Revenue Service webinar for conduit issuers of tax-exempt financing. This is the overview module of a three part series. The other two modules also available for review include, one discussing conduit issuers, responsibilities. That's going to be by Miss Christina Easter, and another discussing policy and procedural considerations.

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Please keep in mind that the presentation is part of the IRS's education and outreach efforts. It is not intended as official guidance, and should not be relied upon as such. This presentation is an overview of the responsibilities of conduit issuers of tax-exempt financings. This presentation focuses on the conduit issuer's role with respect to tax-exempt financings, and is intended to summarize various provisions. As such, please refer to applicable legal authorities in their entity before implementing compliance strategies related to tax-exempt financings.

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This is part one, overview for responsibilities of conduit issuers of tax-advantage bonds. In this module, we'll define who conduit issuers are, and list some of the types of tax-exempt bonds they issue, along with the rules that apply to them.

We'll also discuss some policy and procedures to consider, such as:

- making elections,
- what can cause a reissuance,
- remedial actions that can be taken to correct a violation, and
- negotiating voluntary closing agreements.

Finally, we'll give you information obtaining tax-exempt bonds, which is TEB forms, publications, Internal Revenue manual, which is known as the IRM selections, and requesting a private letter ruling.

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When we say conduit issuers, we mean state or local governments who issue tax-exempt financings for the purpose of making loans to governmental, and non-governmental, entities for a qualified purpose.

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These financial arrangements are referred to as conduit financing, and the entities who receive the proceeds are called conduit borrowers. This presentation focuses only on the conduit issuer responsibilities, and not the conduit borrower, or other parties involved in the conduit financing.

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This presentation is also limited to the bonds described in Internal Revenue Code, which is IRC, section 141(e). The conduit issuer responsibilities began on, or before, the date of issuance, then continues until final maturity, or early redemption.

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Internal Revenue Code, IRC section 141(e) lists the following types of bonds conduit issuers usually issue in a conduit financing arrangement:

- Exempt facility bonds under Internal Revenue Code section 142(a),
- Mortgage revenue bonds under IRC section 143,
- Small issue bonds under IRC section 144(a),
- Student loan bonds under IRC section 144(b),
- Redevelopment bonds under IRC section 144(c), and finally
- 501(c)(3) bonds under Internal Revenue Code section 145.

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These Internal Revenue Code sections have their own set of rules which must be complied with for the bonds to retain its status as tax-exempt under code section 103. One requirement is that a certain percentage of the proceeds, or net proceeds, of the issuance, must be used to pay costs for specific assets or achieve a specific purpose.

After the conduit issuer has determined that a facility or purpose is qualified, there are additional code and regulation sections that will apply to the bonds. These include:

- limitation and volume cap in Internal Revenue Code section 146,
- other requirements applicable to private activity bonds in IRC section 147,
- arbitrage rebate and yield restrictions, rules in IRC section 148,
- other requirements in Internal Revenue Code section 149, and finally
- reimbursement of expenditures paid to the issue date under IRC section 150.

Module two, entitled Conduit Issuer Responsibilities, covers the various provisions in the additional Code and Regulation sections that apply in conduit financings.

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Some policy and procedural considerations of tax-exempt financings are handled through our tax-exempt bond division, Compliance and Program Management, known as the CPM unit. CPM provides technical support to field operations as well as outreach and support to the tax-exempt bond community. A key function of CPM is to administer the voluntary closing agreement program that's known as VCAP, which allows conduit issuers of tax-exempt financings, who have identified violations, to enter into a VCAP, if self-correction is not available.

Certain elections on private activity bonds, and arbitrage rebate, are required to be made on or before the issue date. Once these elections are made, the conduit issuer must contact CPM, Compliance and Program Management, to revoke the election.

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Conduit issuers can obtain forms, publications, Internal Revenue Manual, also known as the IRM, and other information they may need in order to help them meet their responsibilities.

Please share your thoughts on this presentation, or any of the topics covered at TEGE.outreach@irs.gov.

You may also subscribe to the TEB newsletter by going to the TEB website as well.

You can find that tax-exempt bonds, known as TEB, on the IRS main website at irs.gov. Once you go to the main website, find the information link on the upper right-hand corner, and then select the tax-exempt bonds link in the drop-down box.

This takes you to the main page for tax-exempt bonds, and information useful to issuers of tax-advantage bonds, as well as other participants in tax-advantaged bond market.

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This completes part one, Overview of the Series of Conduit Issuer of Tax-Advantaged Bonds.

Please review the next two modules, as well as for additional information on conduit issuer responsibilities that will be covered by Ms. Christina Easter, covered in part two, and Policy and Procedural Considerations covered in part three, again by me.

We hope you found this information to be very helpful in understanding your responsibilities, with respect to tax-advantaged financings. Thank you for taking the time to listen.