

Part III - Administrative, Procedural, and Miscellaneous

Notice 2001-49

Recent Internal Revenue Service examinations have identified a lack of clarity in regulations concerning when tax or revenue anticipation bonds will be treated as outstanding longer than is reasonably necessary to accomplish the governmental purposes of the bonds for purposes of § 1.148-10(a)(4) of the Income Tax Regulations. Because of this lack of clarity in the regulations, the Internal Revenue Service announces that the issue of whether a tax or revenue anticipation bond is outstanding longer than necessary for purposes § 1.148-10(a)(4) will be closed in any current examination, and will not be raised in any future examination, with respect to any issue of tax or revenue anticipation bonds that has a term of 2 years or less and was sold prior to August 3, 2001. This announcement has no effect on any other issue that may be identified in any current or future examination.

In addition, the Internal Revenue Service has determined that it is appropriate to provide a prospective safe harbor regarding the term of tax or revenue anticipation bonds. Therefore, attached is a proposed revenue procedure that sets forth a safe harbor under which an issue of tax or revenue anticipation bonds will not be treated as outstanding longer than is reasonably necessary to accomplish the governmental purposes of the bonds for purposes of § 1.148-10(a)(4).

Section 3 of the proposed revenue procedure provides that the safe harbor applies to an issue of tax or revenue anticipation bonds the proceeds of which qualify for a temporary period for restricted working capital expenditures under § 1.148-2(e)(3). Section 4 of the proposed revenue procedure provides that, for purposes of § 1.148-10(a)(4), an issue of tax or revenue anticipation bonds will not be treated as outstanding longer than is reasonably necessary to accomplish the governmental purposes of those bonds if the final maturity date of the issue is not later than the end of the applicable temporary period under § 1.148-2(e)(3)(i) or § 1.148-2(e)(3)(ii) for which proceeds of the issue qualify.

The proposed revenue procedure will apply to bonds sold after the date the revenue procedure is published in the Internal Revenue Bulletin in final form. However, issuers may rely on the proposed revenue procedure with respect to any issue of tax or revenue anticipation bonds that is sold before the effective date of the proposed revenue procedure and on or after August 3, 2001.

Comments are requested on the proposed revenue procedure. Comments may be submitted on or before November 18, 2001, to Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20224, Attn: CC:ITA:RU (Notice 2001-49), Room 5226. Submissions may also be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to the Courier's Desk at 1111 Constitution Avenue, NW, Washington, DC 20224, Attn: CC:ITA:RU (Notice 2001-49), Room 5226. Submissions may also be sent electronically via the Internet to the following e-mail address: notice.comments@m1.irs.counsel.treas.gov.

The principal authors of this notice are Rose M. Weber and Timothy L. Jones of the Office of Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities). However, other personnel from the IRS and Treasury Department participated in the development of this notice. For further information regarding this notice contact either Rose M. Weber or Timothy L. Jones at (202) 622-3980 (not a toll-free call).